

# Exploration and Application of Industry Financial Integration in Enterprise Financial Management and the Enlightenment -- Taking Mengniu Group as an Example

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**Abstract** Under the background of economic transformation and upgrading and information technology, realizing the organic integration of industry and finance is the key to help enterprises exert their overall strength to meet the challenges of market competition and technological development. On the basis of explaining the connotation and necessity of industry financial integration, this paper deeply analyzes the exploration path and application of industry financial integration in Mengniu Group, and then puts forward the enlightenment of "establishing a unified financial system and policy, promoting business operation level with large data, strengthening information system construction and establishing echelon training mechanism for compound talents", so as to provide reference for the development and improvement of the management accounting system of other enterprises in China.

**Key words** Financial Sharing; management mode; industry financial integration; Mengniu Group;

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## 1 Introduction

In recent years, management accounting has developed vigorously both at home and abroad. Enterprise managers have been aware of the necessity and urgency of financial transformation. The industry financial integration is the direction of the transformation for modern enterprise financial management, and its importance has been recognized in the industry. Domestic and foreign scholars have carried out explorations and researches on it actively. Yang Lu (2015) discussed from the status of industry financial integration, requirements of industry financial integration on finance and other aspects<sup>[1]</sup>; Wang Xueli (2016) believes that the industry financial integration is conducive to play the strategic supporting role of finance and enhance the execution of enterprise strategy under the new normal economic situation, which is particularly important for enterprise management. However, in the practice of enterprise management, the objectives of business departments and financial departments are different, and the relationship between them is tense, resulting in the inadequate integration of finance and business<sup>[2]</sup>. Based on the difficulties in the practice of industry financial integration, scholar Zhang Qinglong (2017) analyzed the conditions for the realization of industry financial integration, and proposed the path to achieve industry financial integration<sup>[3]</sup>. Guo Yongqing (2017) investigated the situation of China's industry financial integration in combination with the questionnaire on the enterprise management accounting function, which provided ideas for further analysis of the factors affecting industry financial integration<sup>[4]</sup>. Although these studies provide some theoretical basis for the exploration of industry financial integration, there is no specific practice and case evidence. Therefore, this paper takes Mengniu Group as an example to analyze the exploration path and application effect of industry financial integration on the basis of expounding the theory of industry financial integration, so as to provide reference for enterprises to achieve industry financial integration model.

## 2 Overview of Industry Financial Integration

### 2.1 The Connotation of Industry Financial Integration

The so-called industry financial integration, that is, the integration of finance and industry, refers to organically combine the financial processes and business processes of the enterprise in use of information technology means to achieve real-time sharing of information. Business departments transmit enterprise data information to financial departments for analysis, and financial departments use information to make better decisions for the business of enterprises. Under this new financial management mode, the functions of financial departments have changed from post-event accounting and supervision to pre-prediction and control,

which can truly realize value creation and management and provide strong support for enterprises to better carry out business and future development.

## **2.2 Work Content of Industry Financial Integration**

The work of industry financial integration can be summarized as financial analysis, resource allocation and risk control. The industry financial integration puts forward higher requirements for financial analysis, which requires financial departments to communicate effectively with business departments based on the overall value objectives of the enterprise, and to dig deeply into business information and financial information in order to achieve the integration and sharing of data. Resource allocation refers that the enterprise balances its own value and customer value<sup>[5]</sup>, and meets customers' needs on the basis of guaranteeing the realization of its own economic benefits. Risk management and control refers to the co-operation of financial departments and business departments to find out the management risks of enterprises, and provide methods and strategies for enterprises to better avoid risks.

## **2.3 Necessity of Industry Financial Integration**

### **2.3.1 Necessity for the Enterprises to Meet the Needs of Changing Business Environment**

With the advent of the Internet economy era, the internal and external business environment of enterprises has undergone tremendous changes, bringing new challenges and requirements to the business management model. As an important value management department of the enterprise, financial departments should take the lead in meeting challenges. Through information sharing, communication and feedback, industry financial integration can effectively eliminate the problem of information islands, and then achieve efficient analysis and decision-making, so that enterprises can realize fine management and quickly respond to changes in market supply and demand.

### **2.3.2 Necessity for the Enterprises to Strengthen Risk Management and Control Ability**

With the development and expansion of business scale, the business and financial risks faced by enterprises will be aggravated. Financial departments should not only do the job of accounting supervision, but also prevent and control the risk, and play the role of forecasting and decision-making. On the one hand, industry financial integration can promote financial personnel to enhance professional skills and comprehensive quality to meet the needs of transformation. On the other hand, it can promote financial personnel to penetrate into the front-end of enterprise business, fully understand the business process and actual operation, find and improve the weak links of enterprise risk control, and effectively avoid risks.

### **2.3.3 Necessity for the Enterprises to Maximize Its Value**

Under the traditional theory of enterprise division and cooperation, the business and financial departments are independent of each other and perform their duties, resulting in different performance objectives. Under this management mode, the functions of the financial organizations are similar, accounting information lags behind, and financial report analysis lacks practical value, so it is difficult to play a role. After the integration of industry and finance, the financial department can manage and control the value analysis of each link of production and operation, realize the optimal allocation of enterprise resources, and then realize the maximization of enterprise value<sup>[6]</sup>.

## **3 Analysis on the Industry Financial Integration of Mengniu Group**

### **3.1 Innovating Management Concept and Adjust Group Organization Structure.**

With the continuous development of economic globalization and the change of information technology, in order to speed up the international trend and keep up with the implementation of national management accounting, Mengniu Group has constantly innovated management concepts, established the strategy of "internationalization + digitization" driving innovation, and decided the organizational positioning, that is, supporting business development and servicing the company<sup>[7]</sup>. In order to strengthen the business support function, Mengniu Group carried on the organizational structure adjustment, transformed the original horizontal management to the vertical management, which is to establish independent and specialized business sector for the four major categories of core business, including normal temperature, low temperature, ice products and milk powder. The production and sales of all categories became independent, set up new business units according to the four core categories, and each core category set up an integrated management system from production to sales independently.

### **3.2 Establishing a Financial Shared Service Center, and Transforming Business Processes.**

In order to speed up the realization of the group's financial strategy and promote the transformation of group finance to industry financial integration, Mengniu Group realized the integration of big data with the

help of the Internet+ platform, and established a financial shared service center, which can extend to production, sales and clients. Firstly, considering the cost of human power and capital, the quality of talents and the familiarity with the business process of the group, the financial shared service center is located in Inner Mongolia, where the group headquarters is located, so as to realize the unified management of all production bases and factories by the headquarters. Second, the financial organizational structure is readjusted. The financial team of the group made professional adjustments according to the standardization and intensification of the process, tried to specialize in the division of labor, standardized the work of homogenization which was originally dispersed in various business units, and centralized the five major business processes of accounting in the sharing center, thus freeing the financial personnel from the traditional daily accounting to participate in business of the front line and provide decision support for business. Third, the financial system was upgraded and the business process was transformed. Mengniu Group introduced SAP system to upgrade the financial system in the aspects of process, performance and function. After the completion of the financial sharing center, the members of the financial sharing project team determined the accounting process one by one through the territorial investigation and system analysis, and finally formulated a new business process. In the process reengineering, a new "initial check/scan" process was added. The paper-based documents are scanned by the image transmission management system and uploaded to the financial sharing service center, while the documents of each production base and factory are managed in the group headquarters, which not only guaranteed the accuracy and consistency of information, but also realized the transformation of documents from paper to electronic, and greatly reduced the cost of manpower, equipment, materials of the group.

### **3.3 Establishing the Risk Management Department and Perfecting the Internal Control System.**

Perfect internal control system is the guarantee for the effective implementation of internal systems and corporate strategies, and it can also lay a firm foundation for the realization of industry financial integration and sustainable development of enterprises. Risk management system is the key component of the internal control system. In order to adapt to the diversified development of business, the Group should clarify the relevant requirements of the internal control system and establish a special risk management department, on the basis of stable development. In view of the important links of relevant business processes, the key points of risk control were set up to create a new and distinctive 7553 risk management system. Through publicity and promotion, the 7553 risk management system is gradually integrated into the group business operation and management decision-making process, improving the internal control system of the group, and promoting the effective integration of group industry and finance.

### **3.4 Precision Cost Management to Achieve Cost Operation Management**

Cost management is the main line of enterprise operation management and the key path to connect business departments and financial departments. In the practice of industry financial integration, Mengniu Group attached great importance to cost management. By establishing WCO management model, it formed the main business value chain of market, R&D, sales and PLS, which took overall quality management, asset management, safety and environmental protection as its operation support, IOP management as its overall support and guarantee, and organically combined all levels to achieve excellent cost operation management. The combination of cost management system and financial sharing service center enables the group to realize daily cost management. The cost of each operation from top to bottom can be accurately recorded, providing data support for the group to make better decisions.

## **4 Analysis on Application Effect of Mengniu Group's Industry Financial Integration**

### **4.1 Efficiency Improvement and Cost Savings**

Before the financial transformation, Mengniu Group had dozens of production bases and factories with many financial institutions, resulting in rapid increase in financial personnel and management costs and inefficient handling of financial matters. In addition, the independent financial institutions in all base organizations of the group not only led to overstaffing of departments, but also increased the difficulty of unified business coordination at headquarters, and led to duplicate investment in equipment easily. The application of centralized financial management mode and the construction of financial service sharing center made the financial work scattered in various business units achieve cross-organizational and cross-platform information integration through process reengineering, and eliminated most of the manual work. At the same

time, through the sharing platform, the group can carry out a unified deployment of work to better achieve cross-regional operations, and support self-service portals and interaction centers, to facilitate business collaboration with customers, suppliers, employees and partners, and improve efficiency<sup>[8]</sup>. In addition, the construction of examination and approval management tools and image transmission management system has solved the problems of physical bill circulation, original voucher access, offshore processing and so on, which not only saved the cost for the group in terms of manpower and material resources, but also be conducive to the integrated management of the group.

#### **4.2 Business Operations Improvement with the Help of Big Data**

Through the standardized operation of the financial sharing service center, the data of each molecule company within the group can be shared, which also achieves the rapid matching of the financial accounting and rapid developing business. Through the implementation of the sharing platform, Mengniu Group's order changing rate has dropped from 13.8% to 3.8%, and the efficiency of personnel in the financial sharing area has increased by about 20%. At the same time, the platform can accumulate large data on group management, and through the analysis of large data, some evidence for the management decision can be output more accurately.

#### **4.3 Promoting standardization and scale benefit.**

Based on financial sharing and information integration, Mengniu Group can standardize the financial work of business units scattered in different areas of the country through the financial sharing platform, so as to produce scale merit, and make the management more sophisticated and effective. Through unified data analysis by the integrated system, the group can control risks, improve the quality of data and analyze data by using the platform to find the best practice for its production base, and guide business to improve management level.

#### **4.4 Overall implementation of the value management concept**

As we all know, the way of financial and business management and the direction of development of enterprises are inseparable from the shaping of their own value management concepts. The practice of financial transformation in Mengniu Group has promoted the combination of business and value chain to a certain extent, making the financial management work no longer a simple "accounting staff" and began to change to value management and become the creator of value. This is a brand-new financial management model, which is conducive to the deepening of enterprise value management concepts, and the implementation of the management concepts such as benefit and efficiency in the specific business activities, so as to better guide business activities, and promote the development of enterprises.

#### **4.5 Promoting Transformation and Upgrading of Financial Personnel.**

Through the establishment of centralized financial management and financial sharing service center, the work of the financial personnel changed from post-processing business into the front line of business, financial departments and business departments work together to guide business departments how to do better, monitor and supervise the business process of the enterprise in advance and in-process directly, respond to changes in the market, transform the financial sector from traditional account keeping to value creation. At the same time, the financial department can also have more energy to turn to strategic finance and operational finance, to make decision support for the operation of enterprises and create value for enterprises.

### **5 Enlightenment of Industry Financial Integration in Mengniu Group**

#### **5.1 Establish a Unified Financial System and Policies.**

With the continuous development and expansion of the group enterprises, the establishment of a unified financial system and policies is the basis for the better issuance of orders by the group headquarters. Due to the numerous production bases, Mengniu Group set up a unified internal accounting system standards and internal control requirements before entering the industry financial integration, and each production base of the group from top to bottom operated in accordance with this standards, which lays a good foundation for the implementation of group strategy and the practice of financial transformation in the subsequent application of industry financial integration of Mengniu Group. Therefore, the establishment of a unified and

standardized financial system plays a vital role in the future realization of industry financial integration.

### **5.2 Analysis and Assessment before Implementation.**

Based on the successful example of Mengniu Group's financial transformation, it is not difficult to find that when an enterprise decides to make financial transformation, it should analyze the enterprise from strategic level, financial level, business level and other aspects accurately. Especially for the establishment of financial sharing center to achieve faster integration of business and finance, it is necessary to analyze and study the actual situation of the enterprise from top to bottom, and correctly evaluate the effectiveness and rationality of the business processes from the headquarters to the subsidiaries.

### **5.3 Strengthening the Construction of Information System.**

In the current large data background, if an enterprise wants to achieve integration of industry and finance quickly, it must strengthen the construction of information systems, information technology has provided convenience for the enterprises as an auxiliary system. With the help of the "Internet +" platform, strengthening the construction of information system will help the financial information of enterprise groups and subsidiaries to transmit more quickly and accurately, which helps to centralize the financial management of enterprises, and also lay the foundation for enterprises to accelerate the integration of industry and finance.

### **5.4 Establishing the Echelon Training Mechanism of Compound Talents**

The ability of each department is very important in the practice of implementing the integration of industry and finance and accelerating the financial transformation and upgrading. The change of employee's thought and the execution of work determine the effect of the implementation of enterprise strategy, as well as the speed of enterprise development.

Therefore, in order to realize the smooth progress of industry financial integration, it is needed to increase the intensity of personnel training, especially to establish a compound personnel training mechanism. The most important thing in the cultivation of multi-disciplinary talents is to promote more communications between departments, especially the financial departments and business departments need to strengthen communication and teamwork. Enterprises should attach importance to the training of employees in various positions, implement the work shifting system, enrich the work content of employees, and design career promotion channels for employees, encourage employees to improve their working ability, maintain a positive work attitude, and give full play to their own advantages to create value for enterprises.

## **6 Conclusion**

At present, the economy has entered a stage of slow growth and structural transformation, enterprises are facing increasing risks, and their development has been more and more restricted. The implementation of industry financial integration can promote the transformation of enterprise management mode, thus further realizing the financial transformation, and promoting the sustained, stable and healthy development of the enterprises. The path to achieve industry financial integration is to analyze the industry financial integration of Mengniu Group in-depth, innovate enterprise managers' concept, adjust financial organizational structure, and establish financial sharing service center, which can provide a certain reference for other enterprises, especially the FMCG industry. At the same time, we should also recognize that most of the enterprises that have achieved certain results in promoting the industry financial integration are rich in funds and powerful in information technology, which can provide financial and technical support for the further integration of industry and finance, while the SMEs are not equipped with these conditions. Therefore how to promote the effective integration of industry and finance and how to apply it into the financial management of enterprises in different industries still needs further study in order to make the management accounting system more perfect.

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