

# ***A Study of the Current Status of Business-Finance Integration in Manufacturing Companies***

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**Abstract:** With the intensification of competition in the industry, it is difficult for enterprises to further improve their core competitiveness by relying only on the traditional financial management model, so it is essential to change the traditional approach and realize business-finance integration and the high degree of information integration through integrating the business and finance. Because the implementation of business-finance integration, not only can optimize the financial work, strengthen the high quality of business activities, but also promote the improvement of the level of business management. This paper analyzes the characteristics of business-finance integration and the requirements for the enterprise. It also studies the current situation of business-finance integration of manufacturing enterprises, and by selecting three representative enterprises to be analyzed, it describes the problems and challenges in the process of their business-finance integration and puts forward corresponding solutions. According to the analysis of the above cases, on the one hand, it can promote the understanding of the current situation of the integration of business and finance in manufacturing enterprises, and on the other hand, it hopes that it can provide references for related enterprises.

**Keywords:** Business-finance integration, Manufacturing companies, Financial management.

## **1. Introduction**

With the continuous changes in the market environment and the intensification of industry competition, to improve their competitiveness, enterprises must do a good job in internal management. To realize this goal, the integration of business and finance is one of the important measures for enterprises to improve their internal management level. Because in the traditional enterprise financial management model, the financial department is only an internal auxiliary support department, its main function is accounting and supervision, and will not be involved in the business process, which makes the financial and business separation, resulting in poor information communication, low efficiency and other issues. To change the traditional financial management model, more and more enterprises choose to carry out the integration of business and finance, this allows the financial sector to participate in the production and operation activities of the enterprise's management model, not only can improve the level of business management, but also help the enterprise high-quality development.

There has been a great deal of scholarly research on the integration of business and finance. Zhu believes that the implementation of business-finance integration in the enterprise, first of all, needs

to combine financial information with business information, through the construction of a financial sharing platform, to provide timely information for the management of the enterprise [1]. Xue and Xie believe that in order to better achieve the integration of business and finance, the Group company should firstly strengthen the collaboration between business and finance department, secondly establish an integrated control system, and finally pay attention to the classification of processes, especially the optimization of business processes [2]. Wang proposed that to realize the financial transformation of enterprises, financial personnel should shift the focus of their work from traditional financial accounting to financial management and utilize the role of financial work in enterprise management [3].

In addition to the research on the way of realizing business-finance integration, a large number of scholars have analyzed the impact of the implementation of business-finance integration in enterprises. Zhang and Wei believe that in the new economic era, the integration of business and finance can provide strong technical support for the development and operation of enterprises. By analyzing the YL Group, they found that the adoption of business and finance integration by group enterprises can not only help the enterprises to make more appropriate strategic decisions but also improve the current operation of the enterprises, to enhance the competitiveness of the enterprises [4]. Gao believes that in the current situation of fierce competition among enterprises, enterprises should strengthen their financial management, break away from the traditional financial management model, allow the financial department to actively participate in the daily business of the enterprise, break down the barriers between departments, thereby enhance the effectiveness of enterprise management [5]. Chen through the analysis of Mengniu Group's business-finance integration behavior, the role played by business-finance integration in enterprise financial management is studied, and the results of the study show that the implementation of business-finance integration can promote the transformation of the enterprise's management mode, to realize the financial transformation and make finance carry out the detection and supervision of the enterprise's business processes beforehand and in the process, so that it can better cope with the changes in the market, provide decision-making support for the enterprise's operation, and create value for the enterprise [6].

It is difficult to avoid problems or obstacles in the process of business and financial integration of enterprises, for this reason, relevant scholars have analyzed it. Although Xu believes that the integration of business and finance has positive significance for enterprises, he focuses on the problems and obstacles that may exist in the implementation of the integration of business and finance and puts forward strategies to deal with them [7]. Jin also analyzed the problems that existed in the process of business-finance integration and explored the corresponding countermeasures [8]. Both of them have similarities in the discussion on the issue of integration of business and finance, but the countermeasures have their understanding, which is of great significance for enterprises to solve the problems in the implementation of the integration of business and finance. In addition, Li believes that there is a certain necessity for enterprises to implement the integration of business and finance, and summarizes the measures to make the integration of business and finance provide efficient assistance for enterprise development by analyzing the current situation of the integration of business and finance and the problems in the process of integration [9]. Zhang and Yan sorted out the current problems in the integration of business and finance, and proposed to promote the integration of business and finance through the establishment of financial shared service centers, the application of process reengineering, the strengthening of the financial management system, the creation of a team for the integration of business and finance, and the establishment of effective communication channels [10].

## **2. Requirements and Characteristics of Business-Finance Integration**

### **2.1. Characteristics of Business-Finance Integration**

The integration of business and finance refers to the process of organically combining the business department and the finance department of an enterprise for analysis, decision-making, and control, to realize the transformation of financial management into a strategic direction. Therefore, the implementation process is characterized by four aspects: globality, synergy, process and openness. Globality means that the integration of business and finance is based on the strategic objectives of the enterprise, and is based on the management and planning of the whole situation, not only to coordinate the business management process but also to coordinate the financial management process, this therefore requires that management mechanisms be comprehensive and unified. Synergy means that the integration of business and finance focuses on the coordination and unification of business and finance, and pays attention to the synergy of the management objectives of both sides, the synergy of communication data, the synergy of workflow and the synergy of information resources. Process refers to the integration of business and finance to consider the overall process of enterprise operations, while step by step and strategically to promote the integration process, and gradual completion of the development of the integration of business and finance departments. Openness means that the integration of business and finance not only focuses on business and financial aspects but also pays attention to the changes in the internal and external operating environment of the enterprise, as well as the impact of internal control on the integration of business and finance. Through continuous updating of management strategies, real-time dynamic adjustment of management measures, and constantly optimizing the enterprise management mechanism.

### **2.2. Requirements of Business-Finance Integration**

Traditionally, the financial sector is mainly based on accounting and supervision, so the understanding of the business leads to the company's financial analysis of the lack of management perspective, can not provide high-quality financial reports, which is not conducive to the management of the enterprise; and the business sector due to the lack of accounting data from the financial sector, there is a risk of exceeding the enterprise's budget in its day-to-day operations, so that the enterprise's operating costs increase. Based on the characteristics of the integration of business and finance, it is not difficult to find that the implementation of the integration of business and finance can be targeted to solve the above problems and improve the business management capabilities of enterprises. But the implementation of the integration of business and finance also has certain requirements for the enterprise: first of all, the company should change the traditional ideological concepts, to form a complete set of business and finance integration control systems within the enterprise, which can indicate the direction of development for financial sector and the business sector from the macro level. Secondly, information integration should be achieved. The lack of information flow between business and finance departments due to the traditional management model has seriously affected internal synergies and the decision of business management decisions. So in order to break through the "information silo", enterprises should establish a unified information platform, and integration of business and financial information management systems, to achieve real-time synchronization of data, laying the groundwork for the implementation of business-financial integration. Besides, in addition to the good integration of information within the enterprise, it should also focus on the sharing of resources and communication between the business sector and the financial sector. Finally, considering the importance of finance staff in the process of business-finance integration, enterprises should also enhance the ability of financial personnel, through training and other ways to improve the ability of financial personnel to learn independently, the ability to think differently and the ability of

comprehensive quality, while enabling financial personnel to actively participate in the day-to-day business activities of the enterprise, and to strengthen the communication with business personnel and learning. After meeting these requirements, enterprises can better accomplish the integration of business and finance, thus transforming traditional financial management and standing out in the fiercely competitive environment.

### **3. Problems of Business-Finance Integration in Manufacturing Companies**

The implementation of business-finance integration can not be completed overnight, and the implementation process is not always smooth, challenges and problems will inevitably appear in the implementation of business-finance integration.

#### **3.1. Conflicts between Business and Financial Staff**

In 2016, the Midea Group built a financial sharing center, and the integration of business and finance began to progress gradually. Although the Midea Group's business-finance integration is steadily advancing, there are still contradictions between the business and finance staff. One of the main reasons is that the finance department of Midea Group is too strong, as we all know, financial decisions rely heavily on numbers, finance is equal to rationality, but this also affects the business decision-making. Because many operations in the business process need to be flexible, and the financial decision-making is mainly based on data; therefore, strong management of finance, will affect business decision-making. In addition, the Midea Group's business department pays more attention to the situation of the indicators related to business performance and the absolute increase in the amount of revenue, as well as to explore potential customers. However, the finance department will pay more attention to the costs and expenses related to business incurred, and the existence of potential risks, such as the provision for bad debts, the provision for price decreases, and so on. Because of the strong financial department of Midea Group, the issue of budget management and cost control is more concerned about the financial indicators, cost reduction and efficiency, without taking into account the business operations, the production sector staff's aspirations, which will lead to conflicts between the business and financial staff.

#### **3.2. Management Problems in the Process of Business-Financial Integration**

Since the beginning of Haier's exploring the integration of business and finance under the financial sharing model, its inventory turnover has been on a downward trend overall. It can be seen that Haier Group has an information gap between raw material procurement and production demand, and between product production and market demand, and the lack of scientific matching leads to an inventory backlog. The main reason is that Haier Group's business and financial integration management system is from a financial perspective, focusing more on the improvement of financial processing links, and the lack of management control of business processes, exposing the management problems of Haier in the process of financial transformation.

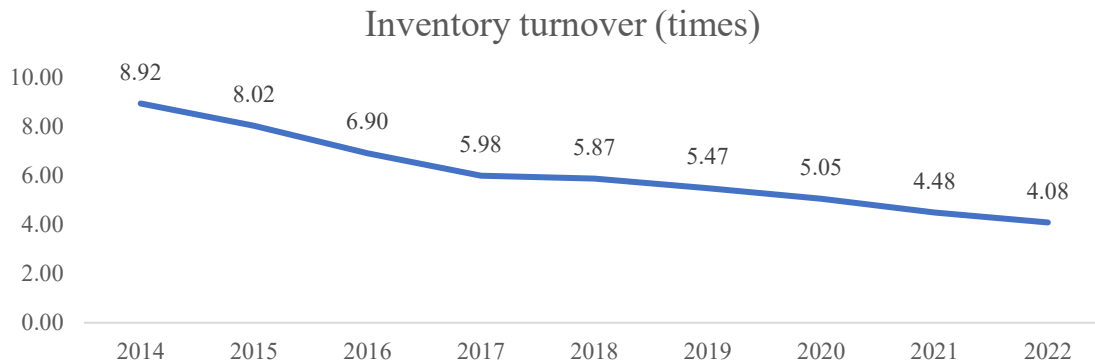


Figure 1: Haier's Inventory Turnover in 2014-2022.

In addition, there is a very important part of the reason in the logistics. Haier Group mainly uses its own logistics model, and its supply chain business-financial integration management system has not yet fully covered the logistics network, resulting in the enterprise's sales data not providing timely feedback to the logistics center, resulting in the emergence of an information gap.

### 3.3. Poor Interactivity between Information Systems

The information system integration in the process of business-finance integration of Hengtong Optoelectronics is insufficient and needs to be further improved. The existing CRM, ERP, SRM, MES and AP systems of Hengtong Optoelectronics all belong to the category of transaction processing systems. In this case, managers need to spend a lot of time to execute the business logic in these systems. Because although these systems can automatically process transactions and integrate information with different functions, they cannot coordinate business processes from beginning to end, this requires processors and supervisors to deal frequently with information lags or surprises that may arise. This shows that Hengtong's information system-related processes are not perfect at this stage, and Hengtong's various information systems are still relatively decentralized, and the interactivity between information systems is poor, which leads to a situation of system isolation.

## 4. Solutions to Problems of Business-Finance Integration in Manufacturing Companies

### 4.1. Establish a Good Coordination Mechanism

In response to the problems that exist in the Midea Group between the business and finance departments. Firstly, a good coordination mechanism should be established within the enterprise. Because a good coordination mechanism is a prerequisite for the implementation of business and financial integration. Decision-making not only requires rationality but also reference to various changes in the business process. Therefore, Midea Group should set up a coordination team to improve the problem of Midea Group's financial department has always been strong, so that the coordination group plays the role of balancing the business and financial contradictions so that the communication and coordination of the various departments become a daily working mechanism. In addition, allow finance staff to take the initiative to learn from business staff and to study business knowledge; and communication between the financial sector and other sectors should be strengthened to break down sectoral communication barriers, to change the current existence of the financial sector is too strong, to ensure the smooth implementation of the integration of business and finance.

## 4.2. Improve the Information Transfer Mechanism

Haier's main problem in the process of business and financial integration is that there is still an information gap between departments. To solve this problem, Haier Group should continuously improve the information transfer mechanism and enrich internal and external communication channels according to the actual situation of business operation, scale of operation and business expansion of the enterprise, to improve the accuracy and timeliness of information transfer, and then orderly improve the efficiency of enterprise operation. Within the enterprise, Haier Group can build local area networks and information platforms to cover various business processes and sub-modules to promote communication and collaboration among the team, strengthen the connection and communication among various links through the introduction of digital intelligence technology, to improve the teamwork ability and communication between departments. Besides, the most important thing is to try to introduce it into logistics, procurement and other departments, to reduce the emergence of information gaps, thereby improving the current inventory turnover situation making the integration of business and finance better and providing better quality decisions for Haier Group.

## 4.3. Ensure Interconnectivity between Information Systems

To better realize the refined management and control among various segments, it is necessary to make the information coherent and ensure interconnectivity between systems within the enterprise. Hengtong Optoelectronics needs to formulate the corresponding information system governance mechanism and key processes according to strategic planning and organizational design. And on this basis, to form a systematic information system process. In addition, it is also necessary to open a data and information interaction channel between the business departments and the Financial Shared Service Center, and disclose the authority of the business personnel to ensure that the results of the analysis of the data and information are carried through the whole process of the business, and ensure the data and information are optimized promptly. Specifically, to solve the problem of non-interconnectivity of information systems, Hengtong Optoelectronics must carry out the integration of application systems, because the application system integration architecture can improve the problems of interconnection between application systems, information exchange and process collaboration. Application system integration can be technically divided into interface integration, data integration, interface integration, process integration and platform integration. By doing a good job in these four aspects of integration, Hengtong can effectively improve the lack of interconnectivity between systems within the enterprise.

## 5. Conclusion

This paper analyzes the current situation of the implementation of business-finance integration in manufacturing enterprises. The implementation of business-finance integration in the manufacturing industry is conducive to the realization of refined management and is conducive to improving the level of enterprise financial management. However, there are still some problems in the implementation process, including the contradictions between the business staff and the financial staff; the management problems in the process of business-finance integration; and the information systems within the enterprise are still decentralized. Therefore, to fully realize the value of the integration of business and finance, manufacturing enterprises should also actively take corresponding measures, including but not limited to the establishment of a good coordination mechanism, improving the information transfer mechanism and promoting the interconnection of information systems. Therefore, manufacturing enterprises to do a good job of business and finance integration is still a difficult and long-term task, enterprises should not only combine their actual situation to build their own business and finance integration mode but also the implementation process should be timely to



find deficiencies and to solve problems. Ensure that the integration of business and finance within the enterprise in an orderly manner, and then realize the stable and sustainable development of enterprises.

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