Exploring the Transformation Path of Enterprise Financial Management System

-- Taking China Unicom as an Example

Xiaoya He¹, Ling Jiang²,*

¹School of Accounting, Anhui University of Finance and Economics, Bengbu, Anhui, China
²School of Economics, Anhui University of Finance and Economics, Bengbu, Anhui, China

*jl567@sina.com.cn

Abstract

Social and economic development in China continues, and the obstacles that many companies need to consider are becoming increasingly difficult to overcome. Nowadays, in order to highlight the advantageous position in the competitive market, it is necessary to carry out effective transformation, and then encourage enterprise development that is long-term. This paper describes China Unicom's financial management system's reform history and evaluates its transformational measures to serve as a guide for the enterprise's financial management system's transformation activity.

Keywords

Financial Management System; Transformation; China Unicom.

1. Introduction

Digital management has become widely adopted in numerous businesses in the digital economy. The financial management style must be created and optimized in hand in hand with the advancements of businesses. Traditional enterprise financial management is based on data processing and related business activities through the preparation of data and one-way information measurement. This model is only applicable to simple business processes and has little effect in the application of information networks. However, when faced with a significant number of data and information, traditional enterprise financial management is hard to implement to modern company management to suit current business demands [1].

And nowadays, data can be processed and used more efficiently through big data technology. Business leaders can set clear financial management goals with accurately studying and analyzing the company's development so that it can better play its role and value in the enterprise, thus providing a basis for decision making. The integration of network technology has substantially improved the financial position and data quality of firms in the era of big data, as well as the financial management personnel and comprehensive financial statement analysis, regardless of what kind of financial management work has been optimized. In short, with the development of big data, enterprises will be better equipped to respond to whatever risks they face, enhancing their financial responses and access to external data. In the big data environment, to improve efficiency, businesses must develop a robust financial competitive decision-making framework and encourage financial management transformation. Thus, promoting financial management transformation is an important task for enterprises at present [2].
The digitalization of society has been deepening in tandem with the execution and growth of China’s national plan of Digital China. In-depth study of the transformation of China’s enterprises’ financial management is of great significance to promote the healthy development of them in the new era, as it is the only method to ensure that enterprises keep up with the changing times under the new wave of economic development.

2. Related Theories and Problem Analysis

Reviewing the practical exploration and theoretical innovation of financial management in China for more than 70 years, along with the change of social system from planned economy to market economy, financial management has experienced the exploration and progress from imitating Soviet-style finance to overturning Soviet-style finance, as well as the progress from unclear responsibilities of financial management and accounting to financial management gradually becoming an independent discipline and guiding the operation and management of enterprises. In terms of development and innovation, China has established a conceptual framework of financial management with Chinese features and a theoretical system of financial management with Chinese characteristics, and has influenced the theoretical pattern of financial management around the world. During this long development process, financial management has followed the development and construction of Chinese socialism, followed the policy guidance of major national development strategies, and actively cooperated with the government’s macro-control [3]. In the future, it is still necessary to continue to pay attention to major national development strategies and policies, provide full expression to its tasks, and create a foundation for decision-making for the government. Financial management must keep up with the trends in the age of artificial intelligence and big data, fully utilize the technological breakthroughs brought by high technology, realize intelligent financial management means and object crossover, and improve the technological content of financial management.

2.1. Basic Theory of Financial Management

2.1.1. Definition of Financial Management

Financial management is the control of asset acquisition, capital financing, cash flow in operations, and profit distribution in the context of a set of overall objectives. Financial management is an essential part of business management, which is an economic management work of organizing financial activities and handling financial relations of the enterprise according to the principles of financial management in accordance with financial regulations and systems.

2.1.2. Content of Financial Management

Specifically, the elements of financial management include: 1) Financing management: There are two types of funds that businesses can raise. The first are enterprise equity funds, which are obtained by absorbing capital investments, issuing shares, and reinvesting internal retained earnings. Otherwise, the other way is the enterprise’s debt funds, which can be obtained by the enterprise through borrowing from banks, issuing bonds, and making payable. 2) Investment management: Cash outflows arising from cash recovery and earning returns. 3) Working capital management: Maintain a balance of collection of receivables and expenditures; enhance inventory and accounts receivable management to increase capital efficiency; minimize consumption and improve production efficiency and save expenses by setting budgets and quotas for various expenses. 4) Profit distribution management: Determine reasonable distribution policies; correctly handle financial relationships between departments.

2.1.3. Characteristics and Objectives of Financial Management

(1) Characteristics of the Financial Management. First, financial management encompasses all aspects of management. In the process of implementing work division and authority, enterprise
management has developed a series of professional management, some focus on the management of use value, the management of value, the management of labor factors, or the management of information. The development of social economy requires that financial management mainly uses the form of value to implement management of business activities. Through the form of value, all material conditions, the enterprise’s business procedures and results are planned and controlled in a reasonable manner to reach the goal of continuous improvement of enterprise efficiency and increase of wealth. As a result, financial management is not only a distinct aspect of business management, but also a broad management task [4].

Second, financial management has a wide range of links with all aspects of the enterprise. In the enterprise, all the income and expenditure activities involving funds are related to financial management. In fact, it is uncommon for all departments within an organization to be without financial contact. Therefore, the tentacles of financial management often reach out to all corners of the enterprise operation. Every department is linked to the finance department through the use of funds. Each department is also subject to the finance agency’s advice and the accounting system’s limits in terms of the rational use of money and the reduction of capital expenditure, in order to increase the enterprise’s economic efficiency.

2. Objective of the Financial Management. There are three more mainstream views: firstly, the profit maximization objective, which is the assumption that financial management behavior will be in the direction favorable to the maximization of corporate profit under the condition that the expected return on investment is determined; second, the shareholder wealth maximization objective, which indicates that an organization’s financial management tries to maximize shareholder wealth. Shareholder wealth in a publicly traded firm is measured by the number of shares they possess as well as the market price of those shares. The stock price reaches its peak when the quantity of stocks is known, and the shareholders' wealth is also maximized; thirdly, the goal of maximizing enterprise value is to increase the firm's market value, which is the stability of financial of the company's discounted future cash flow.

2.2. Problems of China’s Enterprise Financial Management System

In the traditional financial management model, the work of the financial personnel of many enterprises in China is mainly based on the cash flow generated by the occurrence of business accounting bookkeeping. They mostly complete a single calculation task, but there is no in-depth study of financial data to prepare it for management decision-making. Especially, some financial personnel do know little about the financial needs of the company, so that it is impossible to bring the intrinsic worth of financial management work into play. In addition, the financial staff does not attach great importance to financial management and does not combine financial information with actual company development, which makes it difficult for the company's managers and systems implementation to make accurate business and strategy decisions, and thus is not feasible to the enterprise’s long-term and healthy growth. Therefore, financial transformation is an important way for financial staff to break the stereotypes, and the financial department should improve their comprehensive quality, actively promote financial transformation, provide full play to the financial district's management function, and contribute to the enterprise’s master plan and strategy [5].

3. Reflections about Transformation of Enterprise Financial Management - China Unicom

3.1. Case Selection

3.1.1. Representation and Typicality of Case

First, as of the end of 2021, there were 78 core journals on the theme of financial management transformation in the China Knowledge Network, of which a total of 55 involved cases, with 1/4
of them taking the communication industry or enterprises in the communication industry as examples. The communication sector is rapidly updating and iterating its technology as the 5G era approaches, facing many development opportunities and challenges as the competition turns white-hot in telecom operations. Nowadays, if wanting to highlight the dominant position in the competitive market, it is necessary to effectively transform from the perspective of innovation, so as to secure the long-term and successful development of businesses. Therefore, the telecoms businesses that were chosen are more represented.

Second, as one of the three leading telecommunication enterprises in China, China Unicom has huge communication service resources and rich experience in providing services for major events. In this year’s Winter Olympics, China Unicom, as a "double Olympic" enterprise, showed the world the power of Chinese information and communication technology. Moreover, China Unicom is the only central enterprise listed in China among the three major operators, so it is a more comprehensive data source and a reference for mainland enterprises. Therefore, this paper will take China Unicom as a typical case and try to explore the way to transform the enterprise financial management system under the phenomenon of industry increment without revenue growth.

3.1.2. Company Profile
China Unicom (stock code: 600050) was founded by the amalgamation of two telecommunications businesses, China Netcom and the previous China Unicom, in response to national policy adjustments in the telecommunications industry. China Unicom was founded in 2001 and terminate on the Shanghai Stock Exchange in September 2002 with the issuance of 5 billion common shares to the public at an issue price of RMB 2.3 per share. China Unicom has operations in 31 domestic provinces and 27 countries outside China. It has been regarded as one of the "Top 500 Companies in the World" for 10 years as the only Chinese telecom operator registered in Shanghai, New York, and Hong Kong. At the beginning of its IPO, China Unicom’s main business included mobile communications services in nine provinces and three municipalities directly under the control of the federal government, as well as countrywide long-distance telephone services. Following China’s telecom industry liberalization, corporate acquisitions, equity transfers and commercialization of 3G/4G licenses, China Unicom’s main business has become increasingly broad in scope and coverage, and increasingly mature in technology [6].

Currently, China Unicom mainly operates public business, government and enterprise customer business, international business and innovative business. Innovative business mainly seeks breakthroughs in innovative fields such as cloud computing, big data and Internet of Things. On March 11, 2021, China Unicom first announced 5G package users, and the financial report showed that by the end of December 2020, China Unicom’s 5G package users reached 70.83 million, with a user penetration rate of 23%, higher than the industry average of 20%.

3.2. Analysis of China Unicom’s Financial Transformation
3.2.1. Reasons for Transformation
With the expansion of China Unicom’s scale and rapid development of business, enterprise accounting needs to be fine-tuned according to professions, full cost attributes, customer groups, and accounting file information is increasing. At the same time, after adopting ORACLE suite of standard software, the number of accounting entries (such as business billing data, material in and out, capital contribution, labor cost, etc.) automatically generated by each sub-system and sub-module business processing at the same time is huge, which further increases the number and cost of voucher printing.

The traditional accounting file management mode has many drawbacks, a large number of accounting files occupy a huge storage space, and the traditional printing process also affects
the efficient operation of the production system and reduces the working efficiency. For this reason, China Unicom is eager to realize the transformation of accounting archives from traditional archives to electronic archives through digital technology, and realize remote access and management of electronic archives through the network to enhance the efficiency of archival information utilization and realize on-demand access to archival information. At the same time, it will reduce energy consumption expenditure, reduce manufacturing and office expenses, encourage green technology and decarbonisation, and create a resource-efficient and environmentally responsible business.

Plus, prior to 2009, China Unicom had problems related to information asymmetry and it was not fully utilizing its existing resources. So, in early 2009, after China Unicom merged with China Netcom, it committed to financial transformation.

### 3.2.2. China Unicom’s Financial Transformation History

Up to now, its transformation history has gone through three main stages. They are the vertical informatization stage from 2009 to 2011, the horizontal informatization stage from 2012 to 2015 and the operation sharing stage from 2016 to the present, gradually building a large ERP financial management system supported by digital means, effectively realizing the deep integration between the financial side and the business side and deepening the integrated management of finance and business. It currently has one system, one group, and one interface in its financial management system.

One system means that all branches of China Unicom and the group are using the same ERP system. As China Unicom has many branch structures, using different systems for each branch or each province will greatly reduce the statistical efficiency of data. The construction of one system breaks the barriers and divisions between business departments and realizes the unified management of different business departments, and all the processes of all businesses can be reflected in the system in detail and seamlessly. In addition, one group and one interface means: all branches have the same data source and system interface style with the group, which can enable various users to realize optimal resource and information sharing. The large ERP system contains all of China Unicom’s data, which provides the conditions for its business as well as financial transformation. Obviously, in the digital era, the traditional financial model can no longer adapt to the development requirements of the times, traditional accountants will be eliminated, and the records of accounting transactions will be revolutionized.

After financial transformation, China Unicom has gradually attached importance to big data business by relying on the strategy of large data concentration, and has launched brands corresponding to the market in time to gain public recognition. Nowadays, China Unicom is taking the lead in the face of 5G era and has cooperated with many enterprises comprehensively to further achieve win-win and development. In addition, China Unicom also has certain development potential in new fields such as large video and Internet of Things.

### 3.3. A Summary of China Unicom’s Financial Transformation

#### 3.3.1. Effectiveness

After the financial transformation, China Unicom has formed a characteristic financial management system relying on the big ERP system, which is mainly reflected in the following five aspects.

(1) In terms of tax services, China Unicom has improved its VAT filing, tax planning and invoicing capabilities after its financial transformation. Internally, to better serve business and finance personnel, China Unicom’s tax infrastructure service framework has optimized entire business logic and streamlined operation processes. For the external users of China Unicom, the invoice printing of China Unicom is more convenient, and the integrated management platform of "Internet+ Tax & Ticket & Accounting" is effectively established, which enables integrated
management of tax and invoice, automatic tax declaration and information sharing of declaration.

(2) From the perspective of accounting, the large ERP system established by China Unicom can establish standard accounting standards and automatically perform accounting, which greatly saves human, material and financial resources, and constantly streamlines accounting elements to make accounting easier. In addition, in order to prevent invoice forgery, China Unicom makes full use of intelligent identification technology, especially the digital processing of invoices, which greatly guarantees the accuracy of invoices, saves financial accounting time and improves accounting efficiency.

(3) In terms of fund management, China Unicom has used digital management tools to realize centralized and unified payment of funds in the process of financial transformation, and has effectively managed online and offline funds and continuously developed supply chain finance.

(4) From the point of view of file management. In order to facilitate the storage of relevant archives as well as important information, China Unicom has established a digital archive to realize paperless electronic archives as well as information, which is more conducive to the query and storage of archives by relevant personnel.

(5) From the data service. China Unicom has abandoned the traditional way of preparing accounting statements and achieved automatic preparation of financial statements, while enhancing the ease of management of financial statements.

3.3.2. Experience

(1) Promote the management of industry and finance integration. The development environment of digitalization determines that enterprises must promote the financial management mode of industry-financial integration, and along with the deepening of management accounting thinking, financial systems should also be continuously improved. Therefore, enterprises should learn from the practice of China Unicom and use digital information technology to promote the integration of industry and finance in depth in the digital background. Transform business data into financial data in a timely manner to continuously improve the operation capability of the enterprise, so that the company's financial structure can support the enterprise’s business assimilation and scale expansion.

(2) Encourage the development of information technology for financial management. Enterprises must strive to enhance the construction of information technology for financial management, make full use of currently available digital technology, improve the layout of information systems, and improve the efficiency of financial management in order to quality carry out financial management in the digital era. At the same time, by utilizing information technology construction, businesses can continuously integrate their financial information, allowing them to improve their economic benefits. In addition, the construction of financial information technology also provides conditions for enterprises to effectively centralize the management of funds, making them more adaptable to the ever-changing market environment a few days ago, enhancing their competitiveness and enabling them to survive and develop in the midst of fierce competition.

(3) Realize the optimization of organizational structure construction. Financial management is the primary functional tool for ensuring the enterprise’s operational efficiency, and in order to complete the system's transformation, work on organizational structure optimization must begin. The relevant personnel need to readjust and reconstruct a series of financial management functions in accordance with relevant regulations, while focusing on effectively strengthening service responsibilities and comprehensively improving operating costs, benefits, accounting audits, financial statements, fund accounting and other aspects of work according to the core standards of financial management work. Under the premise of improving the work of each function, it provides more complete, effective and sufficient support for the development of Unicom’s business. In addition, Unicom enterprises should focus on liberation
and reduce the workload of branch accounting data, leaving enough time and space for functional management, risk prediction and risk control.

(4) Improve the mechanism of staff training. At this stage, the operation and management of Unicom should pay attention to the comprehensive training of junior and middle-level financial staff, formulate standardized training courses for them, and provide more opportunities for learning outside, so that the staff's ability can be effectively improved. In addition, for the senior financial staff should develop a reasonable competition mechanism, so that employees can fully appreciate the fairness of the mechanism, to achieve the purpose of selecting better quality talent. In addition, for the senior financial staff should develop a reasonable competition mechanism, so that employees can fully appreciate the fairness of the mechanism, to attain the goal of improved quality talent selection. In order to increase the financial staff's zeal and excitement, enterprises should implement the management mechanism of assessment and incentive, driven by the motivation to further expand the cultivation of talent.

(5) Carry out refined financial management. Carrying out refined financial management work is the main way to improve efficiency and give full play to the leading role of finance for enterprise value enhancement. Carrying out refined financial management can not only optimize financial accounting, effectively reduce operating costs, but also improve work quality and efficiency. Under the background of the new era, Unicom enterprises should clarify their development direction, start from integrating enterprise financial information, unifying enterprise related business and establishing core database, realize comprehensive sharing management of various information, business and data information, and designate relevant personnel to carry out unified analysis, so as to improve the level of financial decision-making counsel for enterprise strategy, enhance the ability of finance to prevent enterprise risks in advance, and improve the service support of finance for business operation. This will increase the quality of finance's corporate strategy decision-making guidance and finance's capacity to anticipate company hazards, and improve the level of finance's service support for business operations, thus enhancing the leading role of finance in enhancing corporate value as a whole.

(6) Make financial management serve for enterprise strategy. The ERP system and control rules used by the branches are consistent with those of the group companies, which makes its financial accounting more standardized and can effectively support the relevant strategies of the enterprise. In addition, with the assistance of the ERP system, managers are able to focus on strategy formulation and key business of the company, while other related business is done automatically through the financial sharing system, which considerably increases the company's operational efficiency and minimizes the financial staff's business load, and all the staff of the company can serve the strategy of the company, which is conducive to more sustainable development of the company.

4. Outlook of the Transformation Path of Enterprise Financial Management System

The use of cloud technology shall continue to deepen and enhance in today's era of fast new technologies and trends, there will be more transformation to promote the modern accounting practitioners continue to explore in depth, thinking more carefully about the development of the business, and better fitted to the financial changing trends of information technology improvement. Enterprises should also be fully aware of the new pattern of network development nowadays, starting from the integration of business and finance, optimization of enterprise organization structure, improvement of overall staff quality, refinement of financial management work and other aspects to achieve the transformation and innovation of financial management system, to aid in the overall growth of businesses in order to improve their operational implementation of strategic plans.
References


