



Navigating Challenges in Chinese Enterprise Management: A Focus on Budgeting and Performance Evaluation

Liu Lisha¹

¹Inner Mongolia University of Finance and Economics, Hohhot 010051, Inner Mongolia, China .

*Correspondence: liulisha2008@126.com

Abstract: In the ever-evolving landscape of global economic integration, comprehensive budget management and performance evaluation have emerged as critical tools for enhancing enterprise efficiency and fostering development. However, Chinese enterprises face challenges in breaking through existing management bottlenecks, hindering innovation and leading to phenomena of rapid growth followed by swift decline. This paper aims to address these challenges by exploring the relationship between budget management and performance appraisal, highlighting their vital role in enterprise total value management. By aligning budgeting with strategy and operations and establishing fair performance evaluation systems, organizations can cultivate environments conducive to internal competition, fostering a corporate culture replete with entrepreneurial and innovative spirit. The study analyzes existing issues in current budget management and performance appraisal, such as imperfect systems, rigid practices, and talent shortages, proposing strategies to strengthen enterprise budget and performance management. These strategies include enhancing organizational structures, integrating resources with strategic focus, strengthening PDCA cycles, and establishing effective assessment mechanisms. By leveraging cloud platforms and big data, and actively pursuing legislative reforms, enterprises can optimize their budget management and performance evaluation systems, ultimately driving sustained growth and competitiveness in dynamic market environments.

Keywords: Budget management; Performance evaluation; Enterprise management; Strategic alignment; Organizational effectiveness

Introduction

1.1 The Research Background

With the advancement of economic globalization, comprehensive budget management and performance evaluation emerge as pivotal tools to enhance enterprise management efficiency and foster development. Presently, within the realm of Chinese enterprise management, organizations encounter challenges in breaking through the existing mode bottleneck, hindering innovation. Many enterprises witness phenomena of rapid growth followed by swift decline, often stemming from problematic management mechanisms, weak budget control, and ineffective capital utilization. Within enterprise management, issues such as fund shortages, sluggish inventory turnover, and discretionary decision-making by company managers are prevalent. Enterprises predominantly rely on market opportunities for growth, yet this rapid economic expansion frequently results in their swift downfall. Currently, domestic enterprises' management remains loose, lacking penetration into all production and management activities^[1].

In recent years, some renowned enterprises have forsaken performance evaluation, causing bewilderment in academic and business circles. However, comprehensive budget management and performance evaluation systems complement each other. Without an aligned evaluation system, implementing the budget becomes challenging. Specific strategies for effectively conducting budget examinations and addressing major challenges in budget management practice are imperative^[2]. Traditional budget evaluation methods have gradually exposed deficiencies such as negotiation, relaxation, and lack of scientific performance evaluation systems, leading to diminished enthusiasm, poor decision-making, sluggish innovation, cultural alienation, and distorted values. Ensuring budget execution and performance alignment poses a significant conundrum for many enterprises amidst their tumultuous journeys.

1.2 Objectives of the Study

The objectives of this study are as follows:

- To examine the challenges faced by Chinese enterprises in breaking through existing management bottlenecks, particularly concerning budget management and performance evaluation, amidst the backdrop of economic globalization.
- To investigate the interrelationship between comprehensive budget management and performance appraisal systems and their impact on enterprise management efficiency and development.
- To analyze the deficiencies and shortcomings in traditional budget evaluation methods and performance management practices, with a focus on identifying areas for improvement.
- To propose specific strategies and recommendations for enhancing enterprise budget and performance management, including organizational restructuring, process improvement, talent management, and the integration of budgeting with strategic focus.



1.3 Significance of Research

Through analysis and exploration of comprehensive budget management and performance appraisal systems, this research aims to further refine the company's strategic objectives, thereby realizing overall corporate goals through management enhancement. By aligning budgeting with strategy and operations and establishing a fair performance evaluation system, organizations can cultivate an environment conducive to internal competition, fostering a corporate culture replete with entrepreneurial and innovative spirit. This incentivizes high energy, minimizes internal friction, and empowers enterprise managers and decision-makers, facilitating innovation and continuous enterprise improvement.

II. Literature Review

Budget Management and Performance Appraisal

Budget serves as a mechanism to control target units and system arrangements. It embodies standardization, action orientation, advanced planning, and numerical expression. Operating with control as its primary objective and numerical expression as its medium, budgeting exhibits distinct foresight^[3]. Comprehensive budget management entails planning, controlling, supervising, and coordinating future production and operational activities based on scientific predictions of the external environment. It transcends mere financial planning, encompassing all-encompassing enterprise planning throughout production and operation. While financial plans are measured in monetary units, budgets are rooted in assessment indices. These indices reflect both currency and serve as quantitative standards for production and operation. As a comprehensive management system, comprehensive budget management transcends functional boundaries, necessitating the collective involvement of all departments, organizational parties, or management participants in its execution. It boasts strong coordination, harmonizing all enterprise departments to leverage organizational resources fully toward achieving predetermined strategic objectives.

Performance appraisal entails evaluating both outcomes and processes. It not only scrutinizes expenditure but also prioritizes organizational efficiency and the satisfaction levels of internal and external stakeholders throughout the assessment process. These considerations encompass what are commonly known as non-financial indicators, emphasizing a blend of qualitative and quantitative metrics^[4]. When conducting budget performance evaluations and assessing responsibility, the foremost task is to identify the root causes behind the enterprise's failure to meet profit targets. Establishing a logical link between actions and outcomes, the implementation of comprehensive budget management elucidates enterprise evaluation indices^[5]. Furthermore, the evolution of the performance evaluation system in theory and practice has bolstered enterprise productivity. Its practical application has catalyzed enhancements in overall company performance. Through performance feedback, stakeholders collectively formulate new performance objectives in line with evolving work dynamics^[6]. This fosters clarity of goals and direction for subsequent work steps, enhancing organizational operational efficiency and optimizing management and business processes. Performance management enables enterprise management to refine company goals, establishing key performance indicators as benchmarks for progress.

Enterprise Budget Management and Performance Appraisal Relationship

Enterprise budget management and performance appraisal constitute vital components of enterprise total value management. They mutually reinforce each other, forming integral facets of enterprise management. Budget management furnishes the foundation for evaluating enterprise performance. Consequently, it facilitates the establishment of an equitable accountability system, ultimately enhancing the enterprise's compensation structure. The efficacy of budget management determines the outcomes of enterprise performance evaluation, with the evaluation results often yielding specific improvement measures and recommendations for annual budget management.

A balanced budget assessment system is crucial. Any enterprise aspires to maximize returns while minimizing expenditure, yet the inherent contradiction lies in the simultaneous pursuit of profit and spending. To reconcile this paradox, the significance of appraisal lies in identifying the balance between two indicators, such as sales and sales price, sales revenue and accounts receivable, costs and profits, purchase price and cycle^[7]. A balanced assessment considers both positive and negative indicators. Typically, a single position or department bears responsibility for numerous assessment indicators, all of which are essential for meeting budget targets, necessitating a comprehensive evaluation of these metrics.

The performance appraisal system serves as a foundation for budgeting. In enterprise governance, a perennial dilemma persists between performance orientation and reality orientation. Empirical evidence suggests that the performance evaluation system facilitates the disclosure of actual budget information and motivates relevant stakeholders to align expectations with the enterprise's true future trajectory. Moreover, empirical evidence underscores that non-financial indicators offer a more comprehensive reflection of operational conditions, providing holistic insights for guiding enterprise policy^[8]. Dynamic performance evaluation of budget management is essential to uphold the smooth operation of budget management. Budget management and performance appraisal, operating independently yet interconnected, represent the essence of enterprise comprehensive values. Effective budget execution necessitates robust control mechanisms. Asymmetric information between groups and subsidiary companies, coupled with timely information feedback and internal communication, can mitigate the deleterious effects of distorted group company-wide budget management and performance evaluation, thereby enhancing the efficiency of enterprise decision-making and adjustments.^[9]

Performance's Role in Budget Execution

Performance serves as a benchmark against the budget, which embodies the breakdown of the company's strategic objectives. Throughout the goal attainment process, performance data enables real-time course corrections. Performance unifies departmental goals and employee motivations, fostering transparent management processes. Real-time

management process and data oversight provide comprehensive insights into the completion of performance throughout the assessment cycle, facilitating improved resource allocation to enhance performance[10]. Budgeting enhances enterprises' risk control capabilities. Through performance management, enterprises exercise control over expenses and cash flow, thereby fortifying risk management. Establishing a performance management mechanism requires digitizing results, as monthly evaluation reports illuminate the company's operations digitally, enabling managers to gain nuanced insights into overall company operations, streamlining management processes. This underscores the paramount importance of budgeting[11].

III. Existing Issues in Current Budget Management and Performance Appraisal

3.1 Imperfect Budget Management System and High Costs

The current budget management system suffers from several shortcomings. Firstly, the financial authority of many enterprises is limited to internal operations, lacking external communication and collaboration^[12]. This hampers the effectiveness of the management system, resulting in loose structures, unclear functional division of labor, complex management relationships, and an inadequate understanding of the importance of budget management in achieving strategic objectives. Consequently, it becomes challenging to view budget management from an enterprise strategy perspective and leverage its role in enhancing competitiveness.

Moreover, budget preparation is often solely focused on the budget itself, neglecting the actual needs of the enterprise. This approach hinders the development of financial management and fails to effectively implement budgetary control within many organizations. For instance, enterprises face difficulties in determining the appropriate tools and timing to balance income and expenditure. These challenges hinder the effective utilization of budget management as a means to achieve corporate strategic goals. To address these issues, it is crucial to hold timely budget management and operational analysis meetings based on the enterprise's specific circumstances. These meetings should focus on identifying problems, risks, and opportunities, adjusting strategies and actions accordingly, and actively allocating resources. By improving the practicality and realism of the budget system, enterprises can reduce costs and ensure sustainable business development.

3.2 Rigid Systems, Inadequate Regulation Enforcement, and Talent Shortages

Traditional budgeting practices often rely on rigid budget appraisal targets, leading to quality issues in overall budget management and performance evaluation. The operation and performance of an enterprise are influenced by the economic and social environment, which may give rise to various challenges^[13]. To effectively address these situations, it is crucial to adopt proactive and forward-looking budgeting practices that enable enterprises to leverage challenges as opportunities. This requires a deeper understanding of budget management and a focus on supervision and execution, leading to a shift in management thinking methods. By doing so, companies can transform challenges into opportunities, thereby enhancing the effectiveness of budget management and performance evaluation.

In many cases, enterprises lack the ability to resist risks and effectively respond to market difficulties, as they fail to establish close collaboration between departments. Each department within an enterprise operates interdependently, and any issues in one area can have a ripple effect on others, potentially impacting the entire business process. This interdependence necessitates a comprehensive approach to performance evaluation that goes beyond focusing solely on financial benefits and market development. Neglecting development indicators such as customer service and internal improvements can lead to serious problems in performance management and inaccurate predictions by top management.

Furthermore, some enterprises mistakenly equate performance appraisal with performance management. This narrow focus detaches the company from strategic goals and promotes short-term thinking. It is common to observe a positive start to the year, followed by superficial mid-year inspections and rushed end-of-year reviews, with little feedback provided for improvement.

To address these issues, it is essential to foster better communication and coordination between departments. Business departments should not be left in the dark and only receive information when the company's budget is officially announced. Instead, they should have a clear understanding of the budget's principles and assumptions to ensure that the budget management reflects the actual situation of the enterprise. Additionally, measures should be implemented to prevent corruption and personal gain among management personnel involved in budget management. This can be achieved through intensified supervision by disciplinary inspection departments and a top-down approach to supervision. Companies should hold employees accountable not only for their work performance but also for their thoughts and behaviors, creating a culture of integrity and fighting corruption.

Many domestic enterprises suffer from incomplete organizational systems and a shortage of talent, resulting in inadequate implementation, assessment, and incentive mechanisms. To address this, it is recommended to establish a budget management committee staffed with professionals who can handle budget-related tasks more effectively. This will enable the adoption of a scientifically driven budget performance management system.

3.3 Inadequate Performance Reward and Punishment Mechanisms

The imperfect reward and punishment mechanism in enterprise performance management is a significant obstacle to enhancing comprehensive budget management and performance evaluation. Currently, performance management primarily focuses on evaluation while neglecting incentive management, resulting in a lack of integration between the two and significant shortcomings^[14]. A robust performance reward and punishment mechanism can strengthen the binding force of budget performance evaluation. However, many enterprise leaders prioritize short-term gains over long-term development, which diminishes employee enthusiasm, reduces work efficiency, and directly hinders the achievement of organizational goals.

The content system of performance management is flawed, requiring improvements in the design quality of indicators and levels. The evaluation work lacks the necessary scientific rigor, and there is a lack of specific and scientifically grounded schemes for constructing an incentive evaluation system within the enterprise. While some companies actively carry out performance evaluation, the corresponding incentive management reforms are relatively insufficient. There is a prevalent tendency to overlook or disregard the construction of an effective incentive mechanism. Therefore, it is crucial to design an appropriate incentive mechanism that combines performance evaluation and incentive management.

3.4 Overemphasis on Financial Indicators and Lack of Scientific Performance Evaluation

Many enterprises focus solely on financial indicators and neglect the assessment of non-financial indicators. Consequently, they fail to establish a scientific and comprehensive evaluation index system within the organization. This limitation compromises the objectivity and effectiveness of the evaluation results, which are essential for improving work efficiency. The current performance evaluation system lacks scientifically defined budget indicators that align closely with the strategic goals of the enterprise^[15]. The performance appraisal system, which serves as a mechanism for employee appraisal and bonus distribution, holds strategic significance. However, employees often fail to perceive the positive significance of the enterprise's long-term strategy and view their work merely as tasks to be completed, resulting in a lack of work enthusiasm.

IV. Strategies to Strengthen Enterprise Budget and Performance Management

4.1 Revamping Organizational Structure and Budgeting Procedures

To enhance comprehensive budget management, it is crucial for enterprises to clarify the responsibilities of all functional departments and branches. Without a well-defined organizational structure, comprehensive budget management becomes unattainable. The objective of budget management is to encourage a cloud-based management approach, where individuals are motivated to contribute effectively. During the budgeting process, it is essential to evaluate the suitability of the budget system for the enterprise by conducting scientific research. Moreover, the enterprise should establish operational processes and dynamic specifications for budget management. All management activities should align with the enterprise's principles and be grounded in its reality. The budget should be developed in conjunction with the enterprise's practices, considering both short-term and long-term interests. By involving all stakeholders in the budget compilation and implementation process, enterprises can achieve comprehensive, standardized, and scientifically grounded budget management, facilitating rapid economic and social development at minimal cost.

4.2 Refinement of Internal Management Systems and Budget Mechanisms

It is crucial to establish and refine a comprehensive budget performance index system. The comprehensive budget preparation should be guided by specific principles and employ a reasonable budget preparation method. A well-defined budget plan should be formulated, serving as the foundation for evaluating budget implementation. To ensure effective budget and performance management, the enterprise should establish a budget management committee and a dedicated budget management department. These entities must have clearly defined responsibilities and collaborate efficiently to facilitate the achievement of business objectives.

Comprehensive budget management enables enterprises to determine resource allocation based on predetermined targets, guiding everyone within the organization in the right direction. It provides a basis for performance evaluation and implements a reverse transmission mechanism, where management is driven by budgetary goals. By embracing advanced management methods and fostering a culture open to change, enterprises can fully embrace comprehensive budget management mechanisms, thereby enhancing their effectiveness.

4.3 Integration of Resources with Strategic Focus and Analytical Enhancement

Enterprises should align their management processes with strategy implementation by integrating the performance evaluation system into the professional committee or working group responsible for overall budget management. Continuous attention to strategy implementation is essential. By effectively pooling useful resources, eliminating detrimental ones, and leveraging the synergy of valuable resources, enterprises can maximize efficiency and strategically consider the sustainability of their resources. This approach enables the enterprise's entire value chain to possess flexibility and openness. Budget and performance management serve as the foundation for the enterprise's management capabilities, innovation in value chain management, resource optimization, and comprehensive control throughout the resource lifecycle. Thorough planning, inspection, and analysis before and after events, coupled with high-quality enterprise operation analysis meetings, enhance problem analysis and management capabilities, leading to the healthy and steady development of the enterprise.

4.4 Integration of Resources with Strategic Focus and Analytical Enhancement

An examination of Ali's performance management practices reveals the significance of scientific performance assessment in driving corporate values and fostering robust development. The realization of ideals and visions relies on goal setting, process implementation, and timely, scientifically informed feedback on performance management. Results serve as a means, while people serve as the purpose. A fair and reasonable evaluation mechanism promotes the steady progress of comprehensive budget management. The evaluation process should link scores with employees' business performance and compensation, ensuring that all employees understand the importance and rigor of comprehensive budget management. When implementing budget management, the focus should not be solely on functional settings. Instead, each administrative function system should be divided into different responsibility centers based on the scope of economic responsibility, with distinct roles and value creation approaches.

The success of Huawei is closely intertwined with its scientific performance management system. Through a rigorous performance evaluation system and corresponding reward and punishment mechanisms, work efficiency has been

enhanced, overall employee motivation has been activated, and performance evaluation based on activity-based costing (ABC) has been implemented. However, some domestic companies mistakenly equate performance evaluation with performance management, deviating from the strategic focus of performance evaluation. They prioritize financial benefits, market expansion, and other business indicators while neglecting internal improvements and customer service. Enterprise management should emphasize the process, deviations, results, and incentives. Huawei's implementation of performance commitment letters has inspired its employees, laying the foundation for the company's remarkable achievements today. The budget plan serves as the company's shared goal. To emphasize its importance, it is necessary to implement the plan after approval to prevent a management vacuum. Conscientiously executing all aspects of the PDCA performance management cycle, from performance assessment to performance management improvement, is crucial.

4.5 Integration of Budget and Performance Management

The integration of budget and performance management necessitates a comprehensive approach that encompasses the entire process. This profound integration signifies a qualitative transformation. Establishing an integrated information platform that supports both budget and performance management processes is crucial for facilitating this integration. By scrutinizing the processes of budget management and performance management, it becomes feasible to establish a closed loop of management, where performance information assumes a pivotal role in budget decision-making. To achieve this goal, priority will be given to value for money, promoting full-cost budget-performance management, implementing supporting reforms, and bolstering both hardware and software infrastructure.

A common challenge encountered is that budget targets are typically set annually, leading to the misconception that budget assessments and rewards should also align with this yearly cycle. Consequently, attention often focuses solely on budget inspection rewards, disregarding the broader budgetary outcomes. This mindset overlooks individuals' stake in achieving targets and the benefits beyond the budget itself. Addressing this issue requires emphasizing both results and processes. One strategy is to allocate a portion of funds during the budget formulation stage as part of the budget incentive policy. For example, monthly, quarterly, and annual awards can be established, taking into account the nature of different positions when determining the frequency of awarding incentives. By integrating positive and negative incentives and including rewards and penalties for budgetary performance, a balanced approach can be achieved, encouraging individuals to value both outcomes and processes.

Leveraging cloud platforms and big data, efforts will be made to actively pursue the integration of industry and finance, with the aim of implementing meticulous budget control and enhancing information management. Cloud computing's inherent integration capabilities make resource allocation more rational and efficient, playing a significant role in financial management in today's digital economy era. It serves as a key facilitator for optimizing the overall budget management and performance evaluation system. Recognizing the significance of information technology in enhancing management capabilities, many enterprises have prioritized its application. In this rapidly evolving economic and social landscape, financial management within enterprises must adapt actively. Cloud platforms and big data serve as catalysts driving positive change in today's financial management practices. While the rapid development of company information technology has laid the foundation for accounting informatization, it has also introduced security risks to financial management. Leveraging information technology can enhance company efficiency, reduce costs, and facilitate information sharing. By effectively utilizing the Internet, companies can improve efficiency and refine financial management and performance evaluation systems. Furthermore, dynamic resource allocation through platforms provides valuable insights into the external environment, competitive analysis, and the establishment of online communication platforms, thus enriching comprehensive budget management with purpose, timeliness, and practicality. Concurrently, efforts will be made to actively pursue legislation on budget performance management, enhance the involvement of third-party institutions in budget performance management, strengthen oversight and management practices, and explore new horizons in the realm of budget performance management.

V. Conclusion

In conclusion, the integration of budget and performance management is imperative for enhancing enterprise efficiency and fostering development, particularly in the context of the challenges faced by Chinese enterprises in breaking through existing management bottlenecks and ensuring sustainable growth. Addressing issues such as weak budget control, ineffective capital utilization, and discretionary decision-making requires a holistic approach rooted in strategic vision. By aligning budgeting with strategy and operations and establishing fair performance evaluation systems, enterprises can cultivate environments conducive to internal competition, innovation, and continuous improvement. To achieve this integration, it is essential to prioritize value for money, promote full-cost budget-performance management, implement supporting reforms, and strengthen hardware and software infrastructure. Overcoming challenges such as the annual cycle misconception and leveraging cloud platforms and big data will be instrumental in realizing the full potential of integrated budget and performance management systems, ultimately driving enterprises toward sustained growth and competitiveness in dynamic market environments.

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