

## *Original Paper*

# Research on the Problems and Countermeasures of Using Management Accounting Methods to Promote the Reform of State-owned Enterprises

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### ***Abstract***

*This paper deeply discusses how to use the power of management accounting to promote the deepening of the reform of state-owned enterprises, and proposes effective solutions to the existing problems. The reform of state-owned enterprises, as an indispensable part of China's economic map, is of great importance. Management accounting, as a mature and efficient management tool, is gradually becoming an indispensable supporting force in the reform of state-owned enterprises. This paper provides an in-depth analysis of the unique role of management accounting in the reform of state-owned enterprises. We find that by introducing management accounting concepts and methods, we can effectively optimize resource allocation, improve decision-making efficiency, and inject new vitality into the reform of state-owned enterprises. The research results of this paper are of great significance for guiding the reform practice of state-owned enterprises and improving the operating performance of state-owned enterprises. We believe that with the help of management accounting, the reform of state-owned enterprises will be able to take more solid steps and contribute more to the sustainable development of China's economy.*

### ***Keywords***

*management accounting, state-owned enterprise reform, problems, countermeasures*

## **1. Introduction**

The reform of state-owned enterprises (SOEs) has always been an arduous and crucial task in China's economic map. For a long time, many state-owned enterprises (SOEs) have struggled in the fierce market competition due to problems such as unclear property rights, low operational efficiency and

rigid decision-making processes. In order to reverse this situation and enhance the market competitiveness of state-owned enterprises, we urgently need to explore and implement a series of effective strategies and methods. Management accounting, as an important tool for enterprise management, appropriately provides a theoretical framework and practical guidance. Put simply, management accounting is committed to backing a company's decision-making and accurately measuring performance. It goes deep into the enterprise and focuses on the optimal allocation of resources, effective cost control and the construction of a performance management system. However, deepening the reform of SOEs with the help of management accounting has not been smooth sailing, and there are many challenges and problems along the way. The first difficulty is that the road to reform will inevitably touch the interests of all parties, causing conflicts and resistance, which requires intelligent coordination and balance. In addition, in view of the uniqueness of state-owned enterprises, the application of management accounting should not be rigidly copied, but should be closely combined with the actual situation of the enterprise to tailor a suitable plan. In addition, technical bottlenecks and talent shortages are also problems that cannot be ignored, and it is particularly important to strengthen the training and support of relevant personnel. To this end, this paper focuses on the application dilemma and solutions of management accounting in the reform of state-owned enterprises. In order to inject strong new impetus into the reform of state-owned enterprises, we need to be committed to stimulating the internal vitality of state-owned enterprises and promoting them to achieve an all-round leap in operating efficiency.

## **2. Problems Existing in the Reform of State-owned Enterprises**

### *2.1 The Property Rights Relationship Is not Clear*

Due to the influence of historical deposition and existing mechanisms, some state-owned enterprises are faced with a complicated situation of ownership of property rights. The primary problem stems from the fog of history, which makes the definition of property rights of these enterprises vague and ambiguous. In the past, due to the failure to plan the details of property ownership, state-owned assets have fallen into a layered ownership structure, which involves the central government, local governments, asset regulators and investors. Such a complex situation naturally leads to fragmentation of decision-making and disorderly allocation of resources. Moreover, the constraints of institutional mechanisms are like invisible shackles, which exacerbates the problem of defining property rights. In the past, the power of administrative intervention was evident in the framework of corporate management, blurring the boundaries between enterprises and the government, making it difficult to separate ownership and management rights. The government's direct intervention in the operation of enterprises makes it difficult to focus on decision-making, and the effect is also reduced. Furthermore, the excessively close ties between the government and enterprises have also introduced injustice and arbitrariness in the allocation of resources, laying the groundwork for corruption and abuse of power. These phenomena urgently need our attention and reflection in order to seek more scientific and

reasonable solutions.

### *2.2 Low Operational Efficiency*

Compared with private enterprises, some state-owned enterprises face the challenge of relatively low operational efficiency, which is mainly due to the combination of multiple factors. On the one hand, these enterprises often encounter difficulties such as high production costs, rigid management systems, and lack of innovation capabilities. Traditional management systems are often inflexible, coupled with excessive administrative intervention, which makes it difficult for companies to respond quickly to market fluctuations and changes in consumer demand due to many constraints in formulating strategies and daily operations. While the government's interest orientation and policy framework are necessary, they sometimes limit the space for independent decision-making of enterprises, and weaken their market acumen and flexibility.

On the other hand, the competitive environment of state-owned enterprises in the market mechanism is relatively relaxed, and they lack the same strong competitive pressure as private enterprises. In addition, some state-owned enterprises are also affected by problems left over from history, such as the solidification of interest groups and the protection of vested interests, which hinder the internal reform and efficiency improvement of enterprises to a certain extent. In terms of organizational structure and human resource allocation, some state-owned enterprises have problems such as redundancy of personnel and overlapping functions, which not only increases the operating costs of enterprises, but also reduces the overall labor productivity, and further restricts the pace of development of enterprises. Therefore, for state-owned enterprises, in order to solve the current problem of operating efficiency, it is necessary to deepen the system reform, reduce administrative intervention, enhance the awareness of market competition, stimulate innovation vitality and optimize the allocation of resources, and comprehensively improve the management level and market competitiveness of enterprises.

### *2.3 Rigid Decision-making Mechanisms*

In state-owned enterprises, the distribution of decision-making power tends to favor top managers, while the participation of junior and middle managers is relatively low. This often makes the decision-making process lengthy and makes it difficult to respond quickly to changes and be flexible. Due to the high concentration of decision-making power, the flow of information has also been affected, not only the transmission of information between the upper and lower levels has become smooth, but the communication between various departments is often blocked, resulting in the decision-making personnel are difficult to grasp accurate information in a comprehensive and timely manner, thus affecting the speed and quality of decision-making.

Further, this concentration of decision-making power and poor information flow has made state-owned enterprises slow to respond to market changes. The market environment is changing rapidly, and the competitive landscape is changing rapidly, but companies often miss out on opportunities because they struggle to adjust their strategies quickly. At the same time, the rigid decision-making mechanism also makes state-owned enterprises appear to be insufficient in terms of market orientation and innovation

awareness. The lack of direct pressure of market competition and effective incentive mechanism makes it difficult for enterprises to take the initiative to capture the pulse of the market, and the ability to innovate is also restricted.

### **3. The Application of Management Accounting in the Reform of State-owned Enterprises**

#### *3.1 Cost Management*

Management accounting plays a vital role in SOEs, providing them with comprehensive and accurate cost insights by building a sound costing system. This system covers not only direct costs, i.e. expenses directly related to production or services, but also in-depth analysis of indirect and fixed costs. Indirect costs, such as overheads, selling expenses, etc., as well as fixed costs, such as rent, depreciation, etc., are considered in detail.

With the help of management accounting, SOEs can not only achieve effective cost control and reduction, but also maintain stronger profitability and competitiveness in the fierce market competition. This data-driven, cost-centric management approach will help SOEs build a more stable and sustainable development model and lay a solid foundation for their long-term development.

#### *3.2 Performance Evaluation*

Management accounting plays a vital role in helping us build a scientific and reasonable performance evaluation system. In this process, we first establish a set of clear and specific goals, and then extract key performance indicators from them to measure the effectiveness of our work. At the same time, we will also design a set of matching assessment and incentive mechanisms, which are like two wheels to promote the enterprise forward, which can fully stimulate the enthusiasm and creativity of every employee.

When employees see that their efforts can be fairly evaluated and duly rewarded, they will contribute a steady stream of power to the healthy development of state-owned enterprises. Therefore, through its unique role, management accounting not only improves the performance level of state-owned enterprises, but also promotes the sustainable and healthy development of the entire enterprise.

#### *3.3 Budget Management*

Management accounting plays a pivotal role in state-owned enterprises, helping them build a complete budget management system. Through well-prepared budgets, SOEs are able to accurately control and supervise various business activities. Moreover, the process of budget preparation and implementation is not static, and it allows SOEs to flexibly adjust their actual operations and optimize the allocation of resources according to market changes and internal needs. This can also timely understand their own operating conditions and financial status, and can also quickly respond to market changes and adjust business strategies, so as to improve resource utilization efficiency and enhance market competitiveness. It provides solid support and strong guarantee for the development of the enterprise.

#### *3.4 Investment Decisions*

Management accounting plays a crucial role in the investment decisions of SOEs. Provide

comprehensive and in-depth evaluation and analysis of investment projects for state-owned enterprises. In the arena of investment decision-making, management accounting uses its unique toolbox, including financial metrics, risk assessment, and capital budgeting, to nuanced each investment project. These tools not only help SOEs see the profitability potential of their projects, but also reveal potential risks and challenges. Through such a comprehensive evaluation, SOEs can more intelligently select investment projects that have good profit prospects and are in line with the concept of sustainable development. Such a decision-making process not only enhances the investment confidence of state-owned enterprises, but also lays a solid foundation for the long-term development of enterprises.

#### **4. the Use of Management Accounting Means to Promote the Reform of State-owned Enterprises**

##### *4.1 Establish a Sound Performance Evaluation System*

In view of the uniqueness and business objectives of state-owned enterprises, a scientific and reasonable performance index system should be carefully designed, which should reflect the economic benefits, social responsibilities and sustainable development capabilities of enterprises in a balanced manner. Specific indicators can include sales growth rate to measure market expansion, market share to assess market position, profit margin to reflect profitability, and return on assets to reflect capital efficiency. At the same time, in order to ensure the comprehensiveness of the performance indicators, relevant indicators such as social responsibility and environmental protection should also be included, such as socially responsible investment and the proportion of green production, so as to demonstrate the comprehensive value pursuit of state-owned enterprises.

In order to ensure the fairness and objectivity of performance evaluation, it is necessary to clarify the evaluation process and standards, and adopt a multi-dimensional and comprehensive evaluation method. This includes an in-depth analysis of multiple dimensions such as the company's financial status, operational efficiency, market performance, and customer satisfaction to form a comprehensive evaluation of the company's performance. Management accounting tools such as cost control, budget management, and performance evaluation will be an important support in this process, helping companies accurately calculate costs, plan budgets effectively, and monitor business performance in real time.

In order to effectively respond to market changes and challenges, state-owned enterprises must quickly adjust their business strategies and resource allocation, and at the same time strengthen the internal management mechanism, especially the performance evaluation and incentive system are closely combined, and a scientific reward and punishment mechanism is established to stimulate the enthusiasm and creativity of employees and management, and provide diversified incentives such as salary rewards, promotion opportunities and training and development for outstanding performers. At the same time, we will implement accountability and improvement measures for underperformers to create a positive working atmosphere. In addition, by sharing best practices internally, learning from advanced experience externally, and actively participating in industry exchanges, SOEs can continue to

improve their management wisdom and innovation capabilities, and strengthen cooperation and win-win cooperation with each other.

#### *4.2 Promote Internal Marketization and Incentive Mechanisms*

The organic combination of internal marketization and incentive mechanism has brought unprecedented impetus for change to state-owned enterprises. The establishment of the internal market promotes the free flow and optimal allocation of resources, while the improvement of the incentive mechanism further stimulates the potential and creativity of employees. The two complement each other and jointly promote the optimization and upgrading of the internal structure of the enterprise and the significant improvement of operational efficiency. In this process, management accounting plays an indispensable role as an important management tool. Through the monitoring and analysis of internal trading activities, management accounting can identify and solve potential problems in a timely manner, and ensure the effective operation and continuous improvement of internal marketization and incentive mechanisms.

#### *4.3 Strengthen the Construction of Informatization*

State-owned enterprises should actively promote the construction of information technology and devote themselves to building an advanced and comprehensive enterprise information system. This system needs to be deeply integrated into the core business areas such as finance, procurement, production, and sales to form a closely connected integrated management platform. Through this initiative, we expect to achieve centralized storage and efficient sharing of data, thereby significantly improving the quality and accuracy of data, and providing more solid data support and scientific decision-making basis for enterprise management.

In order to ensure the timeliness and accuracy of data, state-owned enterprises need to strengthen data collection and real-time monitoring of all aspects of business processes. We can introduce advanced automation technologies, such as sensors, Internet of Things, etc., to achieve instant capture of critical data, which can not only reduce the cost of data collection, but also significantly improve the efficiency of collection. At the same time, we will also use big data analysis technology to dig deep into the massive data resources inside and outside the enterprise, so as to better understand the market demand dynamics, grasp the development trend of the industry, and provide forward-looking insights for the company's strategic adjustment and market layout.

In addition, state-owned enterprises should also actively embrace artificial intelligence technologies, such as machine learning and natural language processing, to help decision-making and management with intelligent means. For example, we can use machine learning algorithms to analyze historical sales data to accurately predict market trends and customer needs, and then develop more realistic production planning and supply chain strategies. Such measures can not only improve the scientific and accurate decision-making, but also significantly enhance the market response speed and competitiveness of enterprises.

In the process of promoting the construction of informatization, state-owned enterprises must also

attach great importance to information security management. We will build a sound information security protection system, and ensure the security, integrity and availability of enterprise data in an all-round way by establishing a sound information security management system, strengthening information security awareness training for employees, and adopting advanced encryption, firewall and other security technologies. This will provide a solid guarantee for the steady development of the enterprise.

#### *4.4 Strengthen the Cultivation and Introduction of Talents*

State-owned enterprises should pay close attention to the growth and development of internal employees in the field of management accounting, and strive to cultivate a team of high-quality and professional management accounting talents. In order to achieve this goal, enterprises need to take a series of effective measures to comprehensively improve the professional competence and literacy of employees in core areas such as cost control, budget management, and performance evaluation. The primary task is to organize special training on management accounting, and the content of the course should be simple to understand, covering the basic concepts, practical skills and industry dynamics of management accounting, so as to ensure that employees can systematically grasp the essence of management accounting, and can flexibly apply it to the actual work, so as to provide strong support for enterprise management and decision-making. At the same time, state-owned enterprises should uphold an open mind and actively bring in external experts and consultants in the field of management accounting. These experts not only have rich practical experience, but also bring advanced management ideas and technologies, inject new vitality into the company's internal training, and provide valuable guidance and suggestions in practical work. In addition, enterprises can establish in-depth cooperation with professional institutions or consulting companies to jointly carry out management accounting consulting projects to promote the deepening and innovation of enterprise management accounting practices.

In order to stimulate the creativity and enthusiasm of management accounting talents, state-owned enterprises also need to establish a sound talent incentive mechanism. By setting a clear career development path, implementing fair remuneration incentives, and providing abundant training resources, we build a platform for management accountants to develop their talents and continue to grow.

In addition, strengthening cooperation and exchanges with external institutions such as universities and research institutes is also a key part. Through school-enterprise cooperation and joint research, it can not only promote the deep integration of management accounting theory and practice, but also attract and cultivate more high-quality management accounting talents for enterprises, and enhance the intellectual support and innovation of enterprises.

Finally, it is necessary to build a clear management accounting post system and clarify the responsibilities and requirements of each position, which is the basis for ensuring the orderly progress of management accounting work. By setting up dedicated personnel, we attract and retain outstanding

talents, create a stable development environment and promotion opportunities for them, so as to build an efficient and stable management accounting team and provide a solid talent guarantee for the long-term development of the enterprise.

## 5. Conclusion

Using management accounting as a powerful tool to drive SOE reform can accurately address problems such as ambiguous property rights, inefficient operations, and rigid decision-making processes. To this end, we should focus on building a sound performance evaluation system, deepen internal market-oriented reforms, optimize incentive mechanisms, and accelerate the pace of informatization construction. At the same time, strengthening the construction of talent echelon and the introduction of high-end talents, as well as improving relevant laws, regulations and regulatory systems, are indispensable key links to promote the reform of state-owned enterprises. This series of measures is inseparable from the guidance and support of government policies, positive changes within the enterprise, and extensive participation and collaborative efforts from all walks of life. Only by forming a good momentum of multi-party progress can we effectively promote the transformation and upgrading of state-owned enterprises and move towards a new height of sustainable development.

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