Application of Financial Sharing in Financial Management of Group Enterprises

Linlin Gan*

College of Science and Technology, Ningbo University, Ningbo 315000, China. E-mail: 1340260575@qq.com

Abstract: Financial shared service is a new management mode established on the basis of financial system reform. Under this mode, independent financial organizations are stripped off and financial information of company’s branches is merged into financial shared service center. The center is responsible for simple and repetitive, common and standardized operations for each branch in order to realize the centralized management and accounting. It greatly improves the efficiency of enterprise management, reduces management costs, and improves customer satisfaction and the service quality. As a new emerging thing in financial management, financial shared service center has turned into reality rather than a concept, and there are more and more enterprises benefit from it. This new financial management model is emerging and being adopted by many multinational companies and large domestic enterprises.

Keywords: Financial Sharing; Establishment of Financial Shared Service Center; Financial Management; Financial Transformation

1. Establishment of financial shared service center for construction enterprises

China Railway Construction Corporation Limited, shortened as CRCC, is one of the most powerful and large-scale comprehensive construction group in China and the world. CRCC owns numerous subsidiaries and has been participating in infrastructure construction in many overseas countries and regions[1].

As one of the four pillar industries of the China’s economy, the construction industry is a typical labor-intensive industry. Nowadays, the construction industry is becoming internationalization, and the scope of business subcontracting is getting larger. With the rapid development of this industry, the disadvantages of traditional financial management is gradually being noticed, such as the scattered business accounting projects, the unbalanced workload distribution, and the deficiencies in fine management. With the constantly development of enterprises, financial management has gradually become an internal demand[2]. After the application of financial sharing in CRCC, four types of financial functional institutions are established, namely strategic financial management for the group, business financial management for engineering projects, shared service center for accounting foundation work, and financial company that builds a bridge between banks and internal financing.

In a short period of half a year, CRCC has established the first financial sharing service center in China’s construction industry, which transform the development direction from the traditional accounting financial management to an advanced business financial and strategic financial management. Besides, it also archives the centralized processing of
accounting business, and builds a platform for centralized management and payment of funds, which has greatly improved the capital stock and use efficiency, becoming one of the few domestic financial companies to achieve connectivity with the financial system. To lay a solid foundation for the national data concentration in 2020, CRCC innovatively redesigns its financial information system, and establishes its financial data center on the basis of the cloud platform of China Telecom. The development of the first domestic financial system based on cloud technology ensures a powerful guarantee of the unification of financial policy for CRCC. Therefore, CRCC has become the first company in China who use the domestic database financial software, and reduce the invested cost of enterprise financial data to a minimum level[3].

2. Construction of all-business circular financial shared service center

China Mengniu Dairy Company Limited, a national key leading enterprise in agricultural industrialization, has been listed in the “Global Dairy Top 20 Companies” for seven consecutive years. The company proposed the strategic plan of building “shared finance” in 2012, and successfully built a shared finance service center in 2015, and became one of the global top 11 dairy companies in the same year.

Under the tide of globalization, China Mengniu Dairy, like other enterprises, is developing an “integrated enterprise” business model. A five-year strategic plan is made for its financial management system to achieve financial transformation which begins with the financial sharing construction[4]. Through the simultaneous promotion of the system, process and personnel, China Mengniu Dairy has laid a solid foundation for the transformation of financial sharing. The human resource management, budget management and fund payment systems with the SAP system as the center are established to realize the real-time data interaction, namely the integration of financial data. The transformation process from standardization to informatization can be archived with the usage of the system, which lays the groundwork for shared migration process. The requirements of shared personnel are determined by dividing the workload of the accounting unit to ensure the support of personnel[5].

China Mengniu Dairy has built a world advanced and domestic leading shared service center based on financial sharing, and the company adheres to the implementation of the overall four, which includes three internal: horizontal, vertical, vertical, and external: cost center to profit center model development principle. The company has achieved three major changes in finance, technology and process, breaking down organizational barriers, improving work efficiency, saving management costs; Mengniu has also promoted the implementation of standardization process and generated economies of scale. On the basis of financial sharing and information integration, Mengniu has improved the level of business operations through data analysis. It has also cultivated a shared operation management team to make contributions to the development and innovation of its shared business and built a first-class financial shared service center[6].

3. A global financial cloud model that leads the forefront of financial sharing

ZTE Corporation is the global leader in telecommunications and information technology, and boasts the most complete end-to-end product lines and integrated solutions in the telecommunications industry.

Established in 2005, ZTE Corporation is the first company to set up the financial shared service center in China[7]. With the continuous expansion of the business field, the old management mode cannot meet the needs of development, and the development of enterprises in many aspects is restricted. Cost leadership strategy is one of the main strategies of ZTE. However, along with the expansion of scale, the increase of the branch, the constantly increasing financial and operating costs, the difficulties of group unified management are accordingly rising. Under a series of reform demands, financial cloud based global financial management pattern in the formation of expanding accompanying with the globalization of financial shared service center is therefore created[8,9].

ZTE’s financial management has taken a big step towards “smart finance”. Standardized data sources and data
processing have been realized, forming a big data warehouse of ZTE enterprise worldwide. Moreover, ZTE has also created a comprehensive operation management system to ensure the smooth operation of the financial cloud, to promote the diversification of financial cloud management means, and to bring about the double improvement of management efficiency and effect. With the main features of “the first company, financial cloud, independent research and development, global financial management platform”, ZTE will operate the financial sharing center in a way of market operation, and lead the development of financial sharing services for domestic enterprises.\(^{[10]}\)

4. Conclusion

Financial shared service center (FSSC) is a centralized and standardized financial management mode, which gathers all business modules together within the enterprise group. FSSC ensures the effective concentration and integration of business and financial data among modules, and greatly improves the operating efficiency and management ability of the enterprise. Uncertainties faced by enterprises require the combination of industry and finance to realize the supporting role of decision-making. The integration of process reengineering and information system is exactly how FSSC works to connect business and financial management, and realize the automatic collection and integration of information to satisfy various strategic decisions made by enterprises.

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