

# Research on Financial Management of Group Enterprises Based on Financial Sharing Center

## Taking Company M as an Example

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**Abstract**—As a new management mode of financial management of group enterprises, financial sharing services are the trend of enterprises breaking through the traditional financial management mode. For the fund management of large group companies in China, it can not only improve the efficiency of capital utilization of enterprises, but also strengthen the enterprises' financial controls and reduce their financial expenses. The Financial Sharing Center has been practiced for many years in the world, based on which, the financial management has gradually recognized outstanding advantages in control, efficiency and quality.

Based on the status quo of Chinese financial sharing centers, this paper conducts a case study of Company M, objectively analyzes the operation state of enterprise fund management Company M based on the financial sharing center, and finds out problems in fund management processes of Company M. Finally, in order to solve above problems, Company M can take optimization measures to conduct the enterprise fund management based on the financial sharing center.

**Keywords**—financial sharing center; group enterprise; fund management

### I. INTRODUCTION

As the big data era approaches, the financial management of group companies tends to be increasingly shared. Therefore, constructing financial sharing centers is becoming cumulatively significant for a company's financial and fund managements. The main of financial sharing is to collect the resource information from all aspects of the enterprise, summarize it, process the information through a standardized system, and present high-quality actual business operation information to managers in a timely, effective and low-cost manner. With the help of its financial sharing service center, it is conducive to strengthening the management and control of subordinate operating units in terms of vertical analysis; extending the business and realizing the integration of industry and finance are beneficial to fully supporting for management decisions of business managers in terms of horizontal analysis. Improving the efficiency of financial processes is not the only role of the financial sharing center, but it can make the accounting process more standardized

and integrate resources more rationally, so as to speed up the flow of funds and the speed of information transmission and circulation, effectively control the quality of its information as well as optimize the flow of corporate working capital to improve the performance of working capital management. Based on the basic theory of the financial sharing service center, this paper takes the implementation process of financial sharing service center of Company M as an example to conduct qualitative and quantitative analysis of the fund management process under the financial sharing service center, aiming to provide some useful lessons for the fund management of China's enterprise financial sharing service center.

### II. EASE OF USE

#### A. Ways of Fund Management

The main methods of enterprise fund management are: (1) sound and complete financial system; (2) comprehensive budget system; (3) effective controls of cash, assets and liabilities; financial risk controls; (4) strengthening internal audit supervision system. In so many group companies, the most important way of fund management is to implement a comprehensive budget. The overall budget of the group is almost similar to that of a single legal person enterprise, but the budget structure of the comprehensive budget and actual operations are much more complicated than those of the single legal person enterprise.

#### B. Goals of Fund Management

In the mode of the enterprise group, goals of fund management are more than one, which can be summarized into two levels: the first level is to maximize the corporate value and create the most enterprise owner wealth through maximizing the profitability and operational ability of the enterprise; the second one is to clarify the next adjustment direction of the enterprise by using public financial indicators and financial indicators created by themselves to measure the company's profitability, operational capabilities, solvency. The goal of fund management is to restrict managers' behaviors, and to strengthen the operational initiative in the actual operations of the fund management goal.

Financial sharing services, based on accounting and process management, by widely applying network interconnection and information processing technologies, are sharing services under the management information architecture. The financial sharing service center integrates the accounting system, electronic accounting system, fund management system and so on, based on which it adds other system applications closely related to financial work, such as the bill image system and operation management ERP system. The financial sharing service center consolidates all resources by the Internet acting as a sharing platform and processes the centralized information efficiently and effectively through big data processing functions.

In addition, different from financial concentration, the financial sharing service center has clear operational management methods and objectives, such as staffing, service quality, information efficiency and customer satisfaction, which makes the financial sharing service center involved in commercial competition or service pricing and settlement within the enterprise; finally, the service target of the financial sharing service center is customers, including both external and internal customers, which makes financial personnel changes a lot, who can clarify required services.

### III. THE MAIN MODE OF ENTERPRISE FUND MANAGEMENT UNDER THE FINANCIAL SHARING CENTER

#### A. Settlement Center Mode

In order to meet needs of fund management, the group companies set up a fund settlement center with the support of the financial sharing center system to supervise and handle funds and services of member units. Members can set up separate bank accounts and control respective funds, as well as the financial sharing center can accurately report the fund usage of each member to the management in time, decentralize financial decisions to individual member units, and monitor the use of funds in procurement, production, and operation. It is applicable to groups with frequent daily capital flows, good economic returns, and more responsibility. However, the financial sharing center does not have the right to directly use funds of each member, and cannot directly carry out activities such as investment and financing.

#### B. Centralized Monitoring Mode of Funds

Under the joint action of the financial sharing center and the ERP system, the group enterprise can control all bank account funds data in real-time, and collect the bank and system data of each member unit. When clearing the capital activity needs and stocks of each member unit, it appropriately regulates the funds between its members through the financial sharing center. And member units with the remaining funds can effectively use excess funds to compensate for other members who have vacancies within the group, which is beneficial to improving the utilization of funds and reducing financial risks.

#### C. Two Line Mode of Revenue and Expenditure

Under the financial sharing center, group companies set up their own total accounts, and found member units, whose funds used by the member households will be summarized into the total accounts of group companies. Through the financial sharing center, group companies are able to monitor cash income and expenditures of member units in real-time, reducing cash holding costs, accelerating capital turnover, improving capital use efficiency, and improving corporate efficiency through efficient value management.

#### D. Financial Company Mode

The group company establishes a finance company based on the financial sharing center, and integrates a fully market-oriented enterprise with the relationship of enterprise or bank-enterprise into the group fund management. Because each member unit has its own independent financial power, which can completely make decisions on cash. In order to effectively restrain the cash use of each member unit without affecting their respective independent economic interests, the financial sharing center is required to upload the fund management data of each member unit in real time so that decision makers can manage the group enterprise well, and reduce the financial risks of the company.

### IV. DISADVANTAGES OF FUND MANAGEMENT

After implementing the fund management based on the financial sharing center, Company M has achieved remarkable business improvement. Its annual net profit growth rate has increased, financial expenses have been reduced, non-operating expenses, short-term loans and long-term loans have also been lessened to some extent, the asset structure of the enterprise has been adjusted, the proportion of liabilities and the financial risks have decreased. At the same time, it should be noted that the flow of funds for corporate investment activities, both inflows and outflows, has slashed. The year-on-year decrease in the inflows of operating activities is greater than the outflows of funds. The specific analysis of shortcomings is as follows:

#### A. Lack of Planning for the Control of Funds

Although business sales of the company have been further improved after the introduction of the financial sharing center, the financial expenses have also been reduced, and certain short-term and long-term liabilities have been reduced. The net profit continues to increase but its own investment capital activities are ignored. The company's capital flow has been in a relatively good state, but the flow of funds for investment, both the investment outflow and inflow, has declined compared to the previous.

With the help of the financial sharing center, the management of Company M has become increasingly standardized, and its control has been continuously strengthened, business processes have been optimized, capital flows have been looser, the utilization rate of funds has been further improved. At the same time, Company M cut down some redundant labor and reduced some staff costs. Therefore, the company's funds are completely sufficient for

its own investment, research and development, meeting the new needs brought by the new era and satisfying the expanding domestic and foreign markets.

However, as shown in “Table I” and “Fig. 1”, it can be seen that the growth rate of investment activity of Company M has been a negative growth rate since 2015, and its absolute value is increasing, which means that the annual cash flow generated by investment activities of Company M is decreasing year by year, and the reducing amount is also increasing year by year. At the same time, after the net fixed assets of Company M increased slightly in 16 years compared with 15 years, the net fixed assets of 17 years decreased much more than the previous two years, far below those of 15 years. There is a lack of effective planning for future development, and the investment quota is getting progressively smaller, which may affect its future development and is not conducive to seizing the emerging market demands in the future.

TABLE I. THE ANALYSIS OF INVESTMENT ACTIVITIES

Date	Growth Rate of Cash Flow Generated by Investment Activities	Net Value of Fixed Assets
2017-12	-2.299243	44415301379
2016-12	-1.492547	56180837806
2015-12	-0.689092	54377274016

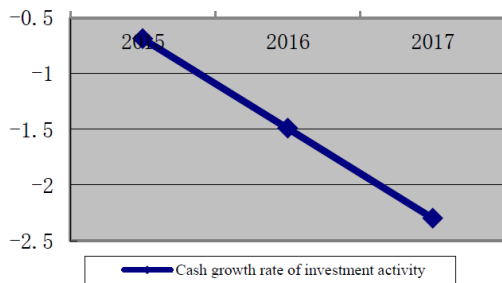


Fig. 1. Cash growth rate of investment activity.

**B. Lack of Analytical Tools for Potential Risks of Funds**

The financial sharing center system provides a means for managers to understand the financial information of each link in time, but it is a simple data transmission, linking all parts of the previously scattered enterprises to supervise and effectively control the flow of funds in each link as well as to timely report changes in the flow of funds to managers, which does not help management decision makers to do professional analysis. We will conduct an in-depth analysis as follow.

It can be seen from “Table II” that the financial sharing center constructed by Company M has a total of 11 main processes and 65 sub-processes to complete the financial sharing system of the enterprise. There are 12 sub-processes for the fund management process, which are divided into 4 process, collection accounting process, payment accounting process, fund transfer accounting process and internal

transfer accounting process, which have a detailed division of labor for all aspects of fund management, saving the workflow of grassroots personnel and optimizing the organizational structure within the fund management.

The multiple functions of the financial sharing center system can almost complete daily business activities of the enterprise, but it is impossible to find any link to conduct a rigorous analysis of the data information summarized by the cloud system, nor to develop a risk assessment indicator. Experience judgments of decision makers are inevitably inaccurate, and sometimes they cannot find the problems, which are unable to accurately determine the risks of corporate fund management or analyze the potential crisis in the data.

But after all the processes completed, there is a lack of risk analysis for the funds, which requires manager's funds to transfer the corresponding data, and calculate corresponding values through some calculation indicators. The comparison can determine whether the enterprise funds are abnormal, or whether there is an abnormal warning, which needs managers to make certain emergency measures to prevent financial crisis in the enterprise.

TABLE II. FINANCIAL SHARING CENTER BUSINESS PROCESS

Names of Main Processes	Number of Sub-processes
Petty Cash and Expense Accounting	4
Fund Settlement Accounting	12
Asset Accounting	10
Material Accounting	6
Salary Accounting	2
Tax Accounting	5
Credit and Debt Accounting	5
Revenue Business Accounting	2
Cost Business Accounting	2
Other Business Accounting	11
Physical Document Management	6
Total Main Processes	11
Total Sub-processes	65

**C. Fund Management of Each Member Unit Is Outside the Financial Sharing Center System**

As shown in “Table III”, Company M has 11 branches in China and 6 branches in different regions Caribbean Rim, South America, North Africa, Myanmar, Malaysia and Singapore. It can be seen that the financial sharing center system is cross-regional and multi-module integrated, which means that the economic environment of each member unit is quite different, so are their respective operating conditions. Therefore, the fund management of each unit member is not similar. Some of the use of funds is not within the control of the headquarters, and there are many funds that are outside the financial sharing center system. In the regions where the economy is growing fast, member units have also operated very well before, some of whose funds that are outside the

system may not be subject to management constraints, and may sometimes be slightly higher, or sometimes slightly lower; in the regions where the economy is not growing so fast or where there are fierce competitive relationships, less funds of member units are outside the system, but it cannot be ruled out that there are funds outside the financial sharing center system of its branch.

Because the fund management of member units is inconsistent with the headquarters, member units have different distributions of their own funds in order to fulfill their respective business objectives, which provides strong reasons for the control of funds fleeing the financial sharing center system, which may lead to the loose integration of subsystems of member units, the timely feedback of the most accurate information, the asymmetry of information, and the unfunded and unmanaged funds. This poses certain obstacles to the control of the headquarters.

TABLE III. BRANCH DISTRIBUTION

Domestic Branches	Overseas Branches
Shanghai Branch	Caribbean Rim Branch
Ningbo Branch	South American Branch
Xiamen Branch	North Africa Branch
Baoshan Branch	Myanmar Branch
Xi 'an Branch	Malaysia Branch
Xinjiang Branch	Singapore Branch
Nanjing Branch	
Jiangsu Branch	
Hunan Branch	
Chengdu Branch	
Hainan Branch	

#### *D. Non-uniform Fund Management System Among Member Units*

Before constructing the financial sharing center, each member unit has been operating in its region for a period of time. According to their different fund management systems, the enterprise resource planning (ERP) process has been built and operated before. Due to the fact that the financial sharing service is highly dependent on the ERP, the construction of the financial sharing center must be carried out after the integration of the ERP. However, the fund management system of member units is not uniform, which will affect the integration of ERP, influencing the construction progress and operation effect of the financial sharing center.

Fund management is an important system for enterprises. For group companies, the non-uniform fund management system of each member unit will affect the effective management of each member unit in its financial sharing center, and make the reported data non-standardized, which is not beneficial to the headquarters integrating and analyzing the data of each member unit as well as achieving the overall goals of the group companies.

The management of funds through the financial sharing center requires a scientific and reasonable process. If the

system used in the process is not unified, it will influence the scientificity of the entire process, whose leads to the results that the entire process will be biased and lack of authenticity. It may also require a lot of manual operations because of the inconsistency of the data format. As labor costs rise, the process becomes cumbersome, which goes against the original intention of establishing a financial sharing center.

#### *E. Insufficient Adaptability of Fund Management to Financial Sharing Centers*

Company M, in the early stage of building the financial sharing center, has changed its original working mode internally by the senior management in order to adapt to its fund management function. But this is a process that takes time to let the staff adapt to the new mode. Company M began to apply the financial sharing center to every workflow. The senior managers also contact the new system that is still in the exploration stage for the first time, and pay less attention to the construction and operation of the financial sharing center for the junior staff, so they cannot identify problems of the junior staff's business. Sometimes even if the system reflects the wrong place in its operation, and the high-level has not yet figured out the operating mechanism of the system and the operating rules when reporting errors, it is innocent to give due attention to the primary business.

In the initial stage of the construction and operation of the financial sharing center, the fund management process of Company M is still in run-in between the original management mode and the new system, whose implementation method needs further exploration and improvement. The adaptability of the senior and junior managers is various, and each position is affected differently by the financial sharing center, so what they should adapt is diverse. Therefore, time differences of adapting to each position will affect the fund management, daily operations and management of the enterprise. Moreover, the high-level attention to the grassroots business is not enough, so that some due supervision cannot be achieved, but it cannot be too strict with the senior in the early stage. This is a gradual process, which should be slowly infiltrated and adapt. Finally there will be a fund management model based on the financial sharing center suitable for Company M in its industry surroundings.

### V. FUND MANAGEMENT OPTIMIZATION STRATEGY OF COMPANY M BASED ON FINANCIAL SHARING CENTER

#### *A. Improving Fund Budget Management*

A company should strengthen capital operation, increase the efficiency of fund planning, improve the budget planning management of its fund management based on the financial sharing center, and follow its strategic development goals. At same time, according to the company's blueprint for the future development, it ought to formulate a budget for the usage plan of corporate funds, make full use of idle funds, and increase the utilization of funds. The current business model has slashed personnel and financial costs compared to the model before constructing of the financial sharing center,



not affecting the normal operation of the company, optimizing its business processes and reducing excess cost losses in the processes, which allows the company to have more available funds before building the financial sharing center, and to invest some of excess funds into R&D investment projects.

#### *B. Reducing Fund Risks*

After the group enterprise constructs the financial sharing center, it needs to conduct specific analysis on some of its own data according to its own industry characteristics, and reduce the financial risk through data analysis. This is the data analysis service that the original financial sharing center cannot provide, so it is necessary for the company to independently develop useful functions, and especially, for the fund management, an early warning indicator can be added. When the fund circulation process is diagnosed in advance, the management can detect all aspects of the fund management according to the warning instructions, finding hidden dangers of the problem and improving the loopholes, which makes the fund management operation under financial sharing center system of the enterprise smoother and reduces the pressure on the company's fund risks.

After establishing the financial sharing center, potential problems left over from the construction of the system may be found during the fund management process, which may affect the daily flow management of the enterprise, influencing decision makers to make decisions. If waiting for the maintenance personnel, during this time, the impact of this vulnerability on the enterprise is incalculable, causing a lot of losses, which managers do not want to see. Nonetheless, no one can foresee when the system will have problems, and there may suddenly be an abnormal error in daily recurring funds management. If the company has added an internal technical R&D team, it can promptly make timely rescue measures for abnormal errors, timely stop losses to the enterprise, minimizing losses, and restore to normal state at the fastest speed, allowing the company to continue to return to normal daily operations. It is also possible to regularly maintain and update the financial sharing center system, keep pace with the times, update the functions that conform to the development of the enterprise, improve the production and operation management links of the enterprise, and reduce fund risks.

#### *C. Strengthening Centralized Management of Funds*

In order to reclaim funds outside the financial sharing center system within the control of the enterprise, it is necessary to rectify and clean up its subsidiaries, as well as inspect all the subtle links and each account, which allows the financial sharing center system can cover every place and receive timely and specific data feedback on the entire process of approval of use and circulation of funds, ensuring that funds will not escape from the management of the financial sharing center system through any channel, and that the flow of funds is transparent throughout the production and operation of the enterprise in order to accept the supervision and management of the headquarters. So the headquarters can coordinate the distribution of funds of each

subsidiary through the dynamic data of the system to fully utilize the funds and use the idle funds to create more wealth and value.

The group enterprise may interconnect with a number of banks; exchange data to each other; cooperate with online banking system of banks, supervise and control the circulation of corporate funds in real time; assist group companies to centrally manage big data; and mine possible hidden data. To eliminate the lack and asymmetry of fund information, group companies can set up a supervision team to supervise the funds of each employee of each subsidiary, observing if there is any phenomenon that the company funds are secretly smuggled out of the system. If it is found, group companies can immediately withdraw and perpetrators are punished.

#### *D. Non-uniform Fund Management System*

In order to unify the fund management system of each member unit, facilitate the unified management of the headquarters, and avoid errors and losses caused by the system differences, the enterprise can establish an efficient and integrated internal banking system based on the financial sharing center. No matter which member unit wants to use funds, it must be allowed by this system. All rules and regulations adopted must be enforced in accordance with this system, controlling the source of funds of each member unit, and realizing the unification of funds, it is only necessary to develop a complete set of fund management system, and let each member unit follow this system to manage funds. Subsequently, the system requirements for each fund use link can be gradually improved. For example, in terms of outflow and inflow of funds, cooperation with other banking systems is carried out to unify the fund use process of the enterprise, and the outflow and inflow of funds are completed in accordance with a unified procedure, facilitating the enterprise to settle and manage funds, knowing the whereabouts of the funds and transmitting the data to the cloud system for aggregation. Similarly, in the business dealings with other companies, the system of the fund use is unified to ensure that all channels of fund outflow are implemented in accordance with the prescribed fund management system.

#### *E. Improving the Adaptability of Fund Managers*

In order to enhance the adaptability of the fund management personnel in the fund management based on the financial sharing center, it is necessary to increase the staff training arrangements, promote the functional transformation of the enterprise structure framework, combine fund management of financial sharing center functions with previous work experience, and create a working style suitable for the new fund management mode, improving the overall adaptability of the fund management department. Employees should improve their flexible ability, and can consider linking financial and risk functions, that is, combining financial information with non-financial information, which can fix risk analysis vulnerability of the existing financial sharing center, and scientifically assess the potential risks of the company's fund management. The

group enterprise should make preventive measures in advance to prevent the occurrence of risks, and provide a safe strategy for the progressively stable and safe future development of the enterprise. After all, the fund management is the focus of financial management which affects the operation of the company. At present, enterprises lack talents who find hidden risk information in financial data, who need to cultivate and improve from the original employees, which is more efficient than finding talents in the talent market. Because original talents of the company are more suitable to the corporate culture, based on which the company can improve the adaptability and comprehensive ability of employees, requiring less human and financial resources. They will be cultivated the overall situation, get rid of differentiation shackles of the financial sharing center, focus on the whole process of fund management, summarize all the data information, find loopholes that the company is able to take measure to improve among many data in the development of current enterprises, rationally plan financial resources of the company, and propose constructive suggestions according with strategic development goals of the company.

In order to effectively improve the adaptability of the fund management personnel who are able to quickly adapt to changes in the fund management of the financial sharing center and the new work, the fund management personnel are not only required to possess the basic theoretical knowledge such as financial reports, financial analysis, risks management, cost management, and fund management as well as quality capabilities such as value management, strategic management, risk prevention, and corporate governance, who need to fully develop their own capabilities. Fund management staffs with the above comprehensive capabilities are familiar with the use of the financial sharing center. In this age of financial sharing, one of conditions to change careers successfully is to be skilled in using the financial sharing center. There are financial sharing centers that fewer talents know how to use the financial sharing center in many large companies. So comparing to traditional financial personnel, those whose are familiar to the financial sharing center have great advantages more choices.

## VI. CONCLUSION

The continuous advancement of the era has created a new situation in which China's economy is in line with international standards. At the same time, economic globalization has also put forward higher requirements for enterprises in the new era of China. The financial sharing center management model is the future development direction of enterprise fund management. Centralized fund management will solve the problems of unit fund dispersion and high capital cost within the group under the traditional fund management mode, which will greatly assist the enterprise fund management, thus avoiding the puzzle of enterprise decision makers in fund management. It is extremely urgent to adopt the financial sharing center management mode as an emerging fund management model. Large and medium-sized enterprises should adapt to transform the internal fund management mode and integrate

with the world, so as to face the requirements of the new era of information.

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