

# Research on Financial Shared Service Mode of Enterprise Group

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**Abstract:** Nowadays, with the rapid development of economic globalization, our country enterprise scale is in constant expansion, the traditional decentralized financial management mode has not adapted to our country enterprise group's strategic development trend, and the resulting flow of enterprise group financial Shared services model can effectively promote the reasonable use of corporate resources and improve the operate efficiently. The financial sharing service model can effectively reduce the operating cost of the enterprise group, and greatly improve the operating efficiency and enhance the control ability of the enterprise. However, the risk in the operation of the financial Shared services model and disadvantages is inevitable, so we found that the problem at the same time, analysis the reason and puts forward relative countermeasures, hope other enterprises learn when implementing financial Shared services model. This paper combines theory and practice to provide a comprehensive approach for the future sharing of private enterprises in China.

## 1. Introduction

The globalization of the economy is not only a great challenge for Chinese enterprises, but also an opportunity to go global. Like large foreign companies, Chinese companies have encountered many difficulties while emerging in the world market. During the analyzing and adjusting, our enterprises realized the importance of the shared service model then began to establish a shared service model. The original decentralized financial management model has been unable to meet the rapid development of enterprises, and as the core department to ensure the sustainable and stable operation of the enterprise, the financial department is extremely urgent to reform and innovate the financial management mode. At this time, the minded entrepreneurs introduced a new management model - the Financial Shared Service, which can effectively solve the management problems of large enterprises, including the poor quality of employees, inconvenience in employee management, the difficulty in calculating cost and expenses, the inability to timely convey information and the inconvenience in communication, so as to provide users with more professional and standardized services.

## 2. Definition and Type of Financial Shared e Model

### 2.1. The Concept of Financial Shared Service Model

In the 1990s, foreign scholar Robert W.Gun first put forward the concept of Shared service model. In 2013, Chinese scholar Chen Hu proposed the concept of financial shared service based on the research of Shared services mode. He defined this concept as: financial sharing service reengineering the internal management organization process, standardizing management rules, reducing management costs and improving operational efficiency.<sup>[1]</sup>

### 2.2. Types of Financial Shared Service Models

The current financial sharing service model can be divided into four types:

#### 2.2.1. The Basic Type

The basic type is the most basic one of the four modes. Its main task is to focus on the daily business activities of the enterprise. In contrast, it pays more attention to economies of scale. The basic scope of application is generally in the aspect of customer relationship management. The main purpose of the basic financial shared service model is to reduce the production costs of enterprises and improve

the effectiveness of the enterprise.<sup>[2]</sup>

### **2.2.2. Market Type**

The emergence of market-oriented means that enterprises have the initiative to effectively separate the decision-making departments within the enterprise. The market-based financial shared service model can charge for more professional services according to the needs of enterprises, which not only meet different internal requirements, but also separate internal control from services, enhance the scientific and independent decision-making, and focus more on service functions. This model is the most widely used one in China.

### **2.2.3. Advanced Market Type**

Compared with the market type, this model can provide enterprises with a higher level of service. When the enterprise financial shared service model reaches the advanced market type, it can not only provide different basic services for enterprises, but also provide professional consulting services, so that the control and service functions can be separated. Competing with the same type of service platform in the market, in order to gain market recognition, it will improve the quality of service, and reduce the cost while guaranteeing the service quality. In general, reduce the cost of the enterprise. When the company was first established, it was small in scale and each department had independent accounting management. However, as the pace of enterprise expansion became faster, the traditional management mode was no longer applicable and more disadvantages began to be exposed. In the traditional management mode, each organization is relatively independent and the management has a weak control over the organization. This has led to the information of each department cannot be fully presented to the manager, resulting in inconvenience to management and even causes the risk of enterprise management. In the traditional management mode, branches are redundant and redundant, and positions within the organization are set up repeatedly. This leads to redundant employees, but generally low professionalism, which increases the cost of the enterprise. Compared with the traditional model, the financial shared service model centralizes the management of branches, which requires higher professional competence of employees, reduces unnecessary positions, reduces unnecessary expenses of enterprises, and eliminates the need to repeatedly operate a large number of mechanizations as before. The work of the enterprise managers is more rapid in understanding the information within the group, and the management decision-making power of the enterprise is more efficient, is beneficial to enterprises occupy a more favorable competitive position in the market.<sup>[1]</sup>

Compared with the basic financial shared service model, the market type can provide more professional and efficient services for enterprise managers, and can provide more scientific and independent help when making decisions.

### **2.2.4. Independent Business Type**

This model shows that the financial shared center is already an independent operating entity. has been completely "marketized". Relying on its professional technical knowledge and skills, the financial shared center aims to achieve revenue and create profits, continuously improve service quality and stabilize the market competitiveness. This model is more applicable in consulting service companies.

## **3. The Necessity and Advantage of Financial Sharing Service Mode**

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Based on what we have learned above we understand the necessity of implementing the financial sharing service model, and with the popularity of the financial sharing service model at home and abroad, through the analysis of a large number of cases, we have summarized the following advantages:

### **3.1. Reduce Costs, Improve Efficiency and Quality**

Low cost and high efficiency are the purpose of the financial shared model, while the previous financial management model, the organization is scattered and repeated, the configuration is unreasonable, the personnel cost is high, and the work efficiency is low. After the establishment of the financial shared service model, all departments of the enterprise eliminated the relatively simple financial positions, and the financial work was centralized. As a result, the demand for in-service personnel was reduced, the labor costs were greatly reduced, and the scale benefits were expanded. Ford is the world's first enterprise group to implement a financial shared service model, reducing the number of 14,000 financial personnel staff scattered around the world to 3,000, but the 3,000 financial staff can serve 300,000 Ford employees can provide financial services for 300,000 Ford employees and \$12.5 billion sales business, which greatly reduces staff costs. In addition, through the establishment of financial shared service model, the communication speed between headquarters and branch offices will be greatly accelerated, the information transmission will be more efficient, and the work efficiency and quality of employees will also be improved, which will create more benefits for the enterprise.<sup>[3]</sup>

### **3.2. Improve the Financial Management Ability of Enterprises**

The financial shared service model adapts the financial process and the company's business process through reengineering the financial process. The two complement each other, making the financial process more efficient and faster, then improving the financial management ability and level of the enterprise. The head office manages its branch companies more conveniently, and the branch can be real-time monitoring, which can let information flow efficient and fast. The reform and innovation of financial management mode have higher requirements on the professionalism of financial personnel. The high-end professional financial personnel can provide more strict and standardized services for enterprises, which is also beneficial to the management of enterprises.

### **3.3. Promoting the Expansion of Enterprise Scale**

With the expansion of the enterprise scale, the business of the enterprise becomes more complex, so the corresponding subsidiary will be established, and the head office will set up the corresponding functional departments in the subsidiary to achieve financial co-ordination, but this will lead to disorder of the enterprise, the enterprise information cannot be timely conveyed, and the human resource cost is high but the efficiency is low. The business model can reorganize the financial process, establish a set of unified standards, shorten the information transmission time and reduce the labor cost. The enterprise can run more efficiently and quickly, and the expansion of the enterprise scale can be smoother and more stable, then it will provide better market opportunities and improve market competitiveness for the enterprise.

### **3.4. Creating Additional Profits**

When the financial shared service model mode runs smoothly within the enterprise, some enterprises will outsource this model to other companies, and charge a certain service fee to increase the additional income of the enterprise.

#### **4. The Basic Process of Enterprise Group's Financial Shared Service Mode**

To establish a financial shared service model, we need to be fully prepared. This model is a project that requires a lot of manpower, material resources, financial resources and time. This is not a simple matter for any company. So before implementing the financial shared service model, enterprise should consider all aspects.

In the first step, the enterprise group should set up a special inspection and reform team under the guidance of the company's main leaders to dig deep into the internal organization of the enterprise, understand the current business conditions, organizational structure, and financial processes of the enterprise, and find out the deficiencies. At the same time, companies can draw lessons from some enterprises that started to use financial sharing service model in the early years.

The second step, combined with the financial accounting characteristics of the company, establishes a financial shared service model, mobilizes the enthusiasm of the company's employees, and sets up relevant job recruitment. In the process of establishing the financial shared service model, the reconstruction of financial process is the key point. The financial process mainly includes the enterprise's receivables and payables, inventory management, financial monitoring, voucher processing, inventory fund

The process is the basis of the implementation efficiency of the financial shared service model. At the same time, different enterprises have various processes of financial accounting. Therefore, the financial shared service model must conform to the actual business of the enterprise.

#### **5. Risks of Financial Shared Service Models for Enterprise Groups**

##### **5.1. Process Risk**

The purpose of financial process reengineering is to standardize, specialize, and standardize the processes, but it is not simple, there is always some risks failure in the process of reengineering. If the process design is unreasonable, it may lead to unstable operation of the financial shared system, which ultimately result in low efficiency, lengthy process and high cost. Therefore, the process design is the core of process reengineering.

##### **5.2. Personnel Risk**

The implementation of the financial shared services model will lead to the change of the original staff distribution, then influences and bring great changes in the position setting and organizational structure. the financial personnel will be streamlined, the single business accounting will be transformed into a comprehensive compound accounting, and the higher professional quality of the financial personnel will be asked. Higher requirements, this will create the risk of financial personnel switching or reduction, the mobility of employees is going to increase. In addition, the financial staff may have certain psychological rejection to the new management mode, so in a short period of time, it may lead to an increase in the cost of human resources.

##### **5.3. Systemic Risk**

The financial sharing service model requires higher stability and uniformity of the system.<sup>[4]</sup>The premise of sharing services is to have a unified enterprise system platform. At present, most domestic enterprises do not have a unified system platform. Financial personnel use manual accounting methods for financial accounting, which is time-consuming and laborious, the quality of financial information is poor, and information data is difficult to collect.<sup>[5]</sup>

##### **5.4. Strategic Risks**

When enterprises start to reform the financial management model, there may be risks: first, inadequate preparation; Second, the boundaries of enterprise demand are not clear; Also, the risks are not fully understood by enterprise. These are likely to cause the failure of enterprise financial management model reform. Therefore, before carrying out the reform, it is necessary to carry out a comprehensive and detailed understanding of the enterprise.

##### **5.5. Tax Law Risk**

Due to the implementation of financial shared service model, centralizing all branches of the

enterprise group to deal with their taxes may cause some trouble in tax declaration and other aspects, and the insensitivity to tax policies will increase, making tax review more difficult.<sup>[6]</sup>

In addition to the risks mentioned above, the financial shared service mode has some disadvantages. Firstly, there are certain requirements on the scale of enterprises. Small enterprises cannot establish the financial shared service mode. Because of the scale, small enterprises set up fewer departments, the focus on the establishment of financial sharing system will increase the burden of enterprises; Secondly, the establishment of the financial shared service model will inevitably lead to layoffs, the appeasement of employees and the increase in turnover rate are some of the problems that enterprises have to face.<sup>[7]</sup> Moreover, employees will adapt to the new management mode for a certain period of time. During this period, enterprises should devote more in training employees and take of the emotions of employees.<sup>[8]</sup>

## **6. Conclusion**

Due to the number of domestic companies that implement financial shared services is limited, and the time of the implementation is still relatively short. The results of carrying out the multi-functional centralization forms have not been fully presented. The further achievements and problems are still need to be innovated, summarized and optimized in practice. With the popularization of the financial shared service model among enterprises in the market, we can imagine that the financial shared service model is in line with the market and charge for offering more professional and efficient services to customers.

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