



# Research on Management Accounting Informatization in Manufacturing Industry Development Based on Shared Service

## — Taking Haier Group as an Example

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### ABSTRACT

In the information era, the manufacturing industry is expanding rapidly with economic globalization. During this process, many emerging financial problems show that the traditional financial management cannot satisfy the requirement to develop, therefore; the management accounting informatization and shared service were widely discussed for solutions by many scholars and companies. This paper mainly uses the case study method on Haier Group to study the establishment process of the company's financial sharing center (FSSC) and management accounting informatization from theory to practice. This study shows that the establishment of FSSC could reduce operation cost, improves efficiency and quality, and enhances the integration capability and competence. By analyzing the structure and functions of the financial sharing center of Haier Group, this paper finally puts forward suggestions for the application of management accounting informatization based on the financial shared services in other small and media enterprises hoping to inspire innovations.

**Keywords:** *Management Accounting Informatization, Shared Services, Financial Sharing Service Center, Manufacturing, Haier Group*

### 1. INTRODUCTION

With the development of the economy, more and more companies started to expand their business; in this period, many issues are coming up: First, the increasing number of subsidiaries leads to more severe difficulties in management. Second, the financial risk increases due to higher costs and more work. Third, the amount of analysis of financial data increases. Facing these challenges, the past management level cannot equally provide adequate and valuable data [1]. In such situation, to solve these problems, many scholars and enterprises researched how to build the financial sharing services center FSSC and improve the informatization level of management accounting. The financial sharing center is based on “shared services”, pooling financial resources from different departments to provide a fast and efficient model of working. FSSC helps promote the informatization of management accounting by its allocation function, and informatization technology also provides FSSC the electronic way to manifest its

functions fully. In terms of theoretical research, the role of financial shared services and challenges faced by companies during application has been widely discussed by scholars worldwide. Some large businesses contribute to the development and innovation in this area such as Zhong Xing company and Ping An Insurance Company.

Although some progress has been made in developing management accounting informatization, there are many shortcomings, such as the lack of theoretical basis and practice experience. In this work, we analyze the successful example of Haier Group making innovative measures on building their own FSSC and informatization of management accounting, which intends to show how they interact and work together to help the company increase their competencies and provide opinions for media and small enterprises.

## 2. THE APPLICATION STATUS OF MANAGEMENT ACCOUNTING INFORMATIZATION GUIDED BY FINANCIAL SHARED SERVICES IN CHINESE ENTERPRISES

Management accounting plays a significant role in optimizing the internal structure and developing external strategies. With the assistance of the shared services, the informatization of management accounting creates a standardized, systematic way to process financial business in enterprises.

First, the financial shared service provides support for building management accounting. FSSC can reduce the time spent on recording and organizing information, which enables financial staff to shift the focus of work from simple accounting to making management decisions [2] and save the expense of investing in building information systems. Second, financial shared services also support the informatization of accounting. In FSSC, the efficient collection and analysis of statistics must depend on high-speed tools such as computer. Therefore, the building of FSSC can enhance the importance and development of information technology.

In order to get such positive effects, some common problems emerged during the implementation process:

First, the lack of explicit theories and practical experiences cannot support the daily operation and adjustment of FSSC. The three kinds of information technology highly related to financial shared services: basic information technology, general-purpose information technology, and particular information technology about shared service process [3]. These three technologies are complicated and time-consuming for companies without knowledge and experience to build. Moreover, some small and medium companies build their FSSC but do not benefit from it since the information system does not match the enterprise situation and gives inefficient feedback.

Second, due to the lack of solid security measures in information technology, many companies are prone to disclose confidential data. Since the security of information is the prerequisite for enterprise to function normally and keep competitive [4], the effective approaches of protection are important. Besides, there are also some risks induced by staff because of poor security awareness, such as not encrypting data.

Third, the shortage of human resources is also a big issue. With the expansion of enterprises, companies increasingly need personnel who can process and analyze financial data, and provide decision-making and strategic analysis for the company. Although the current number of financial management personnel is enormous, the quality is uneven. There are many curriculums covering management accounting in many Chinese universities in

accounting education. However, the combination of knowledge and actual case is insufficient, resulting in students not adapting to the actual working situation [5].

## 3. ANALYSIS ON DEVELOPMENT OF MANUFACTURING INDUSTRY PROMOTED BY MANAGEMENT ACCOUNTING INFORMATIZATION AND SHARED SERVICES— TAKE HAIER GROUP AS AN EXAMPLE

As an impetus for the high-quality development of the economy, the manufacturing industry is the nation's foundation, providing necessary materials and products for the stability of society. In the Information Era, manufacturing also needs to develop with information technology; therefore, new demands for the theory and practice of management accounting are presented. According to related research [6], most manufacturing companies invest less than 2% of their annual revenue in the construction of management accounting information systems. It can be inferred that small and medium-sized enterprises with fewer assets will invest less in management accounting information systems. Consequently, Haier could provide a reference for what to do and how much should be invested as a leading manufacturing company.

### 3.1. Overview of Haier Group

Haier Group is the world's fourth largest major appliance manufacturer and the top 100 electronic information company in China. It has localized design centers, manufacturing sites, and trading companies in more than 30 countries with more than 50,000 employees worldwide. In 2007, Haier started to build its financial shared service center and gradually achieved changes in financial mode. It also succeeded in constructing and applying a financial information system, which is a strong practical guidance to other enterprises.

### 3.2. Introduction to Haier's Financial Sharing Road in the Internet Era

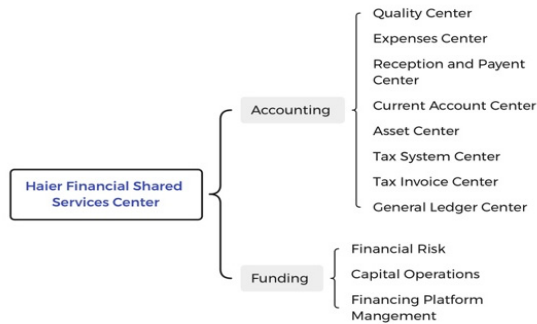
#### 3.2.1. Classification of Financial Roles

From 2006, Haier Group changed organizational structure and process redesign of the financial management system, dividing financial personnel into three workgroups: business finance, shared finance, and professional finance. As a back-end accounting platform, business finance centralizes everyday operations scattered around different departments to FSSC for analysis and management. This process achieves unification of financial operation, transaction rules, and accounting regulations across the company, which

improve the efficiency of capital operation and control the financial risks [7].

### 3.2.2. Structure Organization of FSSC

After building the FSSC, Haier clarifies the work and divides them into different departments. Within the FSSC, there are two platforms, accounting and funding. The structure and functions of Haier Group are shown in Figure 1:



**Figure 1.** Structure and Functions of Haier FSSC [7] (haier.com) (Non-Commercial Use)

The eight centers in accounting work as follows: The Quality Center is a special department different from FSSC in other enterprises, which provides services for every module in FSSC and links operating units and management units in the whole Haier Group. It mainly sets rules and regulations inside and undertakes the daily operation of the Accounting Committee. The Expenses Center manages the reimbursement, employee integrity, and trade document by the information system, which dramatically increases the quality and efficiency of daily work and motivates the employee. The Reception and Payment Center has widened the range of services from simple receive and pay funds to various services such as management of bills, funds, accounts and so on. This expansion creates continuous value in lowering the internal accounting cost, unifying the reception and payment standard, and promoting the innovation of funds settlement. The Current Account Center built the reconciliation system achieving the automatic reconciliation in and out of Haier Group, with dealing and clearing unsettled accounts. The Asset Center performs functions of managing the asset in the view of the whole enterprise making the buying, depreciation, clearing, and retirement follow the standard, which can be controlled beforehand and improves asset management efficiency by using the Asset management system. Through the online information system, the Tax, Tax Invoice, and General Ledger system would increase their efficiency and productivity of tax and tax invoice processing and audition of daily accounts. Based on their respective functions, each module within the accounting

platform collaborates to enhance the process stability and truly optimize the value of FSSC.

In terms of benefits, not only can Haier's FSSC centralize and analyze information efficiently by its very detailed division of labor, but also accelerate the speed of transmission of capital and information flow by integrating financial processes [8].

### 3.2.3. Establishment of Management Information System

FSSC is the combination of "internet+" and accounting, promoting the informatization of management accounting. It means that the need to accomplish tasks in FSSC will lead to the creation of management information system, which mainly consists of four systems: Budget management system, Performance Evaluation system, Internal Control system, and Management Accounting Reporting system. The Budget Management System focuses on forecasting fees, schemes, and rewards. Unlike the traditional budgeting system, the informative real-time budget analyzes weekly, monthly, quarterly and yearly, which helps Haier adjust the plan and decrease the error. The Performance Evaluation System is no longer based solely on key performance indicators but instead on using big data to evaluate employees by different methods, which can present comprehensive and fair results. The Internal Control System transforms the way of working from human operations to an information system process, which increases efficiency and decrease risk. Finally, the Management Accounting Reporting System enables faster aggregation of strategic information, dynamically monitors market, and pays more attention to off-balance sheet assets.

Consequently, since management accounting is more focused on the analysis and monitoring during the business, Haier Group enables comprehensive prediction and proper development strategy timely based on the quick data processing the information system made.

All in all, the reliance on information technology makes the value of management accounting fully shown and let enterprise have a more efficient and comprehensive view of development.

## 4. ENLIGHTENMENT OF HAIER'S APPROACH TO SMALL AND MEDIUM-SIZED MANUFACTURING ENTERPRISES

### 4.1. Development and Utilization of Information System based on own Business Situation

The independent operation of the FSSC requires a complete set of information systems to provide technical support and guarantee for it. Haier Group's achievement in building FSSC relies on its clear understanding of its

corporate situation, its clear and advanced vision of the concept of financial shared services, and its extensive application of information technologies. For example, Haier's information system, invented based on the Haier Global Value Information System (HGVS) of Enterprises Resources Planning Module (ERP), helps Haier follow every change within enterprises more accurately since it is developed based on their own needs. For some small companies, the point is to build information systems based on their scale rather than use existing systems that cannot provide pleasing effects.

#### **4.2. Organizational Design of Shared Service Center**

Before building FSSC, Haier first classifies their business, which helps them understand essential services, for better reorganization. Then they reorganize the accounting departments and assign and allocate business in a process-based approach. This idea could inspire small and medium enterprises to figure out their own process and apply shared services to increase efficiency and save money.

#### **4.3. Proper Training and Allocation of Personnel**

Since FSSC is the combination of finance and information technology, the financial personnel should not only be experts in financial theory, but also master the skills of computer application [9]. So the training system of FSSC is very important, which could lower the operating risk and increase efficiency.

Some analysis of Haier [10] pointed out several changes happened at the number of employees in finance department: After the implementation of financial shared services, the total number of financial staff reduced by 25%, with the number of accounting staff decreased by about 75%, but the number of financial management staff was increased by more than twice. This means that the emphasis has changed to the management side of financial work, such as internal control system and capital turnover during establishment. Allocating the different types of financial staff properly is a good way for small companies to use their resources fully.

### **5. CONCLUSION**

Management accounting is an essential part of a company's strategy-making, and it needs comprehensive information about the market, competitors, and internal situation. The establishment of FSSC provides the new idea of processing financial information, supporting timely and implemental modification of the status quo of enterprises. The FSSC of Haier Group is a good example, showing the possibility and productivity of the combination of financial shared service and management

accounting informatization. In the age of information technology, small and medium manufacturing enterprises should explore their own challenges and opportunities when upgrading their management. They also need to enhance the core technology to build, organize, and allocate the financial business to increase competency. As the economic and technological development, management accounting informatization based on shared services will be more integrated with "internet+" and Cloud technology. Besides, the role of the information system will be constantly intensified, so maintenance and adjustment are also issues worthy of future attention.

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