

## Research on the Management of Settlement Funds under the Financial Sharing Mode ——Based on T Company

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**Abstract.** Financial sharing is a new type of financial management that is supported by information technology to optimize the organizational structure, improve process efficiency and reduce operating costs. To study the financial sharing, we use the financial sharing center in T company as the research object, focusing on its problems about settlement fund management, and put forward the relevant improvement proposals, hoping that this research can help a group of enterprises to establish the theory of settlement funds management under the financial sharing service mode and can provide a practice guide.

**Keywords:** Financial sharing; Balanced Scorecard; ABC classification of Customers

### 1 Introduction

With the advent of the era of large data, the intelligence and simplicity of company's financial process is inevitable, financial sharing mode came into being. In December 2013, the Ministry of Finance pointed out widely distributed large enterprises should "explore the use of information technology to promote the concentration of accounting work, and gradually establish a financial sharing service center.", which provide policy support for large and medium-sized enterprises to explore the establishment of financial sharing services.

As a large-scale company to build financial sharing earlier, T company has accumulated rich experience, and its financial sharing center has high value to research. With in-depth understanding of the operation of T company's financial sharing center mode, I found that the financial sharing in the enterprise inevitably brought some problems can not be balanced, or difficult to solve, especially in the management of settlement funds. This paper puts forward some suggestions on how to solve the problem, combining the Balanced Scorecard and the ABC classification of customers to improve the service of T's financial sharing center, and further improve the operational efficiency to accelerate the realization of the organization's strategic objectives.

### 2 Overview of relevant Theories

#### 2.1 Financial sharing Theory

For the definition of financial sharing, the famous scholar Bryan PB in 2003 published his view of this innovative management approach, which is generally regarded by the academic community the most classic definition - "Shared services is a cooperation strategy concentrating part of the existing business functions in a new semi-autonomous business unit, which like the companies that compete in the open market, has a dedicated management structure aimed at improving efficiency, creating value, saving costs and improving internal customer service quality."

#### 2.2 Balanced Scorecard Theory

From the perspective of performance evaluation, the Balanced Scorecard evaluation system is divided into four dimensions: finance, customer, internal operation, learning and growth. The scoring card seeks to translate the strategy into an executable action plan, and motivates the

organization to achieve the goal. In general, the Balanced Scorecard is a framework that focuses on the promotion of organizational strategy implementation, decomposes the strategy into a number of stage goals, and encourages the organization through system performance evaluation. It is a performance management system and management tool under the strategic implementation.

### **2.3 ABC classification of Customers**

ABC classification is a method classifying things based on the main features in the technical and economic aspects, in order to achieve different approaches to management. Its emphasis is to distinguish between primary and secondary, the management object is divided into A, B,C categories. When applying this method to the customer management, according to the different importance of customers, the customers are divided into key customers (A class of customers), ordinary customers (B class customers), small customers (C class customers) , and then company can implement different management and control based on different classifications.

## **3 Case Analysis**

### **3.1 Financial Sharing Center in T Company**

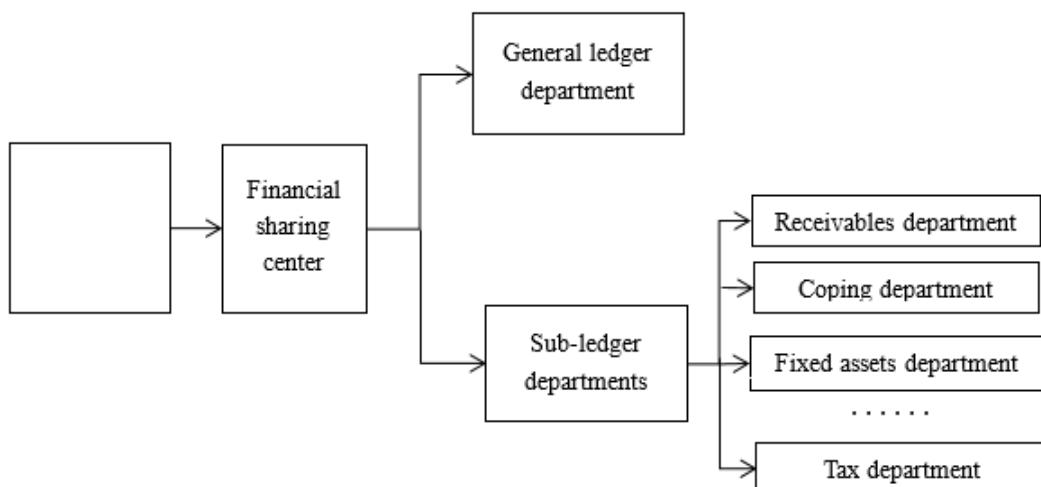


Fig.1 Organizational Structure of Financial Sharing Center in T Company

T's financial share center is directly under the leadership of the Group's headquarters. The center is divided into general ledger department and sub-ledger departments, sub-ledger departments is divided into accounts receivable departments, departments, fixed assets, tax departments etc. Each sub-ledger department has a manager responsible for the operation of the sub-ledger group, and the general ledger department has a controller responsible for the operation and performance appraisal of the center. The main business scope of the financial sharing service center includes employee reimbursement, accounting, fund settlement, file management, accounting report and audit cooperation, and provide financial support to the financial management of the group headquarters and business units. As shown in Fig.1, after the economic activities in each business sector, the data will be sent to the financial sharing center to record, the system will assign different economic issues to the general ledger department or sub-ledger departments based on the nature.

This paper focuses on the management of settlement funds in T's receivable and coping departments. The main processes are shown in Table 1.

**Table 1 Main Process of Settlement Fund Management in T's Financial Sharing Center**

Process	Category
Accounts Receivable Process	Invoice information collection, accounting processing, payment and feedback process
Accounts Payable Process	Order contract management, billing and revenue confirmation, receipt and bill management, reconciliation feedback

### **3.2 Problems in T's Settlement Funds Management in Financial Sharing Center**

#### **3.2.1 Single performance evaluation, prone to accounting manipulation**

T company uses the piece-rate wage system now, that is, the salaries in financial sharing center are mainly made by the number of business decisions. Although the system can mobilize the enthusiasm of the staff on the number of business, but it can not make employees understand the nature of their work, and why to do so, in the long run is not conducive to the company's overall strategic objectives. Especially in issues of the settlement funds, each end of the month, the general ledger department has a receivable and coping ledgers reconciliation, if there is a breakdown of the sub-ledger and the general ledger, the controller in general ledger department will communicate directly with the relevant business departments about whether there is a misunderstanding about the customers, and then inform the manager in receivable / coping department how to adjust the sub-ledgers to make it better match with the general ledger; and manager and its subordinates only mechanically follow the superior command to adjust ledger, regardless of the reasons and whether it is right, because their pay only related to the number, but not the quality. In this case, if the controller is subject to management guidance, or collusion with the business sector, then the authenticity of the financial statements will be greatly reduced.

#### **3.2.2 Settlement Funds Management is not directly linked with the customers, prone to strategic decision-making mistakes**

With the development of shared services, T company's financial sharing center is no longer confined to the accounting records, but joined the more high value-added services. In the management of settlement funds, the nature of the funds determines the service needs timely analysis and reporting, such as the receivable departments should analyze the customer, sales, payment, account, bad debts, etc., so as to coping department. When understanding the functions of business level, and getting first-hand customer information, the staff can dynamically and objectively analyze the hidden strategic information in the settlement funds for managers to provide support.

However, in the current shared mode, the receivable department receives only a simple summary of the economic activity uploaded by the business sector with the original voucher, and is associated with a lower degree of customer information. In this case, the analysis of settlement funds will be out of touch with the actual business, and the strategic decision-making according to the analysis will be biased, and even lose those customers who will make great value to the company.

### **3.3 Improvement Suggestions to T's Settlement Funds Management in Financial Sharing Center**

#### **3.3.1 Use the Balanced Scorecard to add quality control metrics**

Financial sharing is essentially a strategic process of recycling, so its performance evaluation should also be strategy-oriented; Balanced Scorecard as a strategic performance management tool, is of great significance in the financial sharing service center's performance evaluation. In order to better motivate employees in various departments, T's performance appraisal should take "the overall

agreement, the department of independent"way. In this paper, the strategic goal of the financial sharing center is to standardize and reduce the cost of the process. In view of the problems raised in 3.2, the settlement fund management should also pay attention to the quality of business and the feedback from the department staff. Therefore, the balanced scorecard of receivable / coping department should focus on financial and internal operational dimensions. As shown in Table 2, referring to the FSSC performance hierarchy model (2015) presented by Jie Wu and Wei Zhou, we list the indicators settlement departments can use.

**Table 2. Balanced Scorecard of Settlement Fund Management based on the strategic objectives of T's Financial Sharing Center**

Dimension	Indicators in Balanced Scorecard in receivable / coping department	X quarter target value	X quarter challenge value
Finance	Unit cost; Business plan completion rate		
Customer	Customer satisfaction; Service level agreement reached		
Internal operation	Business error rate; Process standardization rate; Business processing efficiency		
Learning and growth.	Employee satisfaction; Process improvement opinion adoption rate		

Among them, the business error rate and business processing efficiency requires employees to deal with each transaction record carefully and pay more attention to the quality of business completion rather than the number; if the transaction has been completed but has to change, it will affect personal and department performance appraisal results, which can ease the issue of mechanical transfer. Employee satisfaction metrics also give employees a platform for comments and suggestions.

### **3.3.2 ABC classification of Customers, separate management**

According to the twenty-eight rule, 80% of the company's profits from 20% of the important customers, the remaining 20% of the profits from 80% of ordinary customers. Therefore, it is important to firmly grasp those important customers. Depending on the importance of the customers, T Company can first classify them. The criteria for measuring the degree of importance can be divided into two categories: one can be quantified, such as: years of cooperation, sales amount, profit; one can not be quantified; for example: the degree of close relationship, contract performance. For standards that can not be quantified, we usually only judge by experience.

After dividing customers into key customers (category A customers), ordinary customers (category B customers), small customers (category C customers), in view of the the standardized process in financial sharing center, the settlement departments can not tell which customer needed key analysis,possibly resulting the loss of valuable customers.We suppose that the company return the customers of the category A to the sales department which deals directly with the customer, and the financial sharing center continue to be responsible for customers of B and C. As shown in Fig.2, when the transaction occurs, accounts of customer A recorded by the sales department and then uploaded directly to the general ledger department. In the subsequent analysis, sales department uses their own first-hand information on the A-class customer and real-time updates, after the analysis is completed,they report to the financial sharing center for summary.

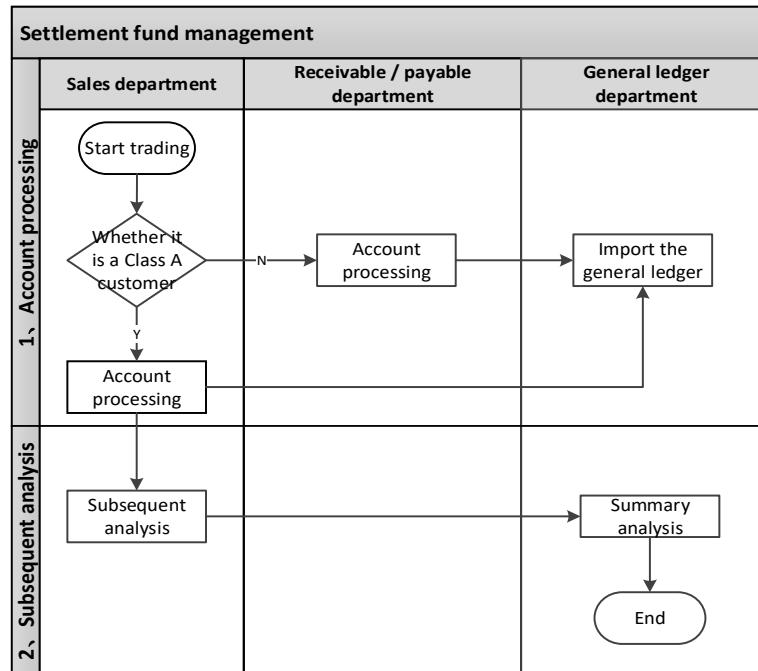


Fig.2 The management process of settlement funds based on ABC classification of Customers

#### 4 Conclusions

From the generation of financial sharing services to the present, more than half of the *Fortune 500* companies have established their own financial sharing service center, and the future will have more and more enterprises to participate in the construction of financial sharing service center. Under the financial sharing service mode, the traditional accounting business process has undergone major changes. Studying how to use a variety of tools to re-sort out business processes to achieve the consistency of financial sharing service center and the organization's overall goals, makes sense for the enterprises will implement or have implemented financial sharing.

On the basis of the research on the theory of financial sharing and related management tools, this paper analyzes and proposes for the settlement fund management of T company under financial sharing mode. Of course, due to the limited level and time, the proposed improvement proposals for T's settlement fund management are the initial idea, as for how to further integration and implementation, remains to be studied.

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