

Financial Shared Services and Corporate Financial Performance

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Abstract: As the life-saving straw for most enterprises to solve the "big business disease", financial sharing seems to have become the only way for the financial transformation of enterprises, but whether the financial sharing center can really improve the financial performance of enterprises, and thus promote the sustainable growth of enterprises. This paper uses the non-parametric Wilcoxon test to conduct a horizontal comparative analysis of the financial performance of enterprises that have established financial shared service centers before 2015 and those that have not yet established financial shared service centers to test the impact of implementing financial sharing services on corporate financial performance. Then it analyzes the problems existing in the construction of financial shared service centers in China, and proposes measures to improve the financial sharing center services of Chinese enterprises in response to the above problems, which provides some guidance and reference for the financial transformation of enterprises.

1. Introduction

Financial sharing service is a management model developed mainly for group companies. It reorganizes and standardizes financial operations that are highly repetitive and easy to standardize in subsidiaries, providing professional and standardized services to enterprises. Improve business processing efficiency, effectively integrate enterprise resources, strengthen management of internal control of enterprises, and reduce financial management costs and risks [1]. In the early 1980s, Ford of the United States established the world's first financial shared service center. General Electric, Baxter Medical, and Conil followed suit and established their own financial shared service center. Until 2005, ZTE established its first financial shared service center in China. Subsequently, Sichuan Changhong, Vanke, TCL Group, Haier Group, and China Resources Shuanghe also joined the army to establish a financial shared service center. As a financial transformation path favored by many companies – financial sharing, can it really solve the current situation of low efficiency and high cost? Deng Chunmei and Zhao Chong (2018) in the article "Comparative Analysis of Domestic and Foreign Financial Shared Service Centers Based on Multiple Perspectives", through the comparative analysis of the research report of foreign financial sharing and the domestic financial sharing research report, it is proposed that Chinese enterprises are under construction. There are problems such as "takenism" and "acclimatism" when implementing financial sharing [2]. As an imported product, the financial sharing service needs further discussion on the impact of corporate financial performance.

This paper hopes to empirically test the effectiveness of financial sharing services in China through the comparative analysis of enterprises that have established financial sharing service centers in

China (hereinafter referred to as established enterprises) and enterprises that have not established financial sharing service centers (hereinafter referred to as unestablished enterprises). Sexuality and the main problems that affect its effectiveness, so as to propose reasonable suggestions for improving the construction of China's financial sharing center, and hope to provide some reference and reference for the financial transformation of Chinese enterprises.

2. Theoretical analysis and research hypothesis

Since the implementation of financial sharing in foreign countries, many scholars at home and abroad have conducted a lot of research on the relationship between financial sharing and corporate financial performance. Deloitte's (2015) annual survey report shows that the number of companies implementing financial shared services has increased more than tenfold in the past decade, indicating that financial shared services are playing an increasingly important role in the enterprise [3]. Shared service centers not only add value through simple cost reduction, but also promote the development of new capabilities (Sako, 2010) [4]. Philipp Clemens Richter (2016) found that the implementation of financial sharing services can save enterprises 20%-50% of the cost by collating 83 articles related to financial sharing found in more than ten foreign electronic databases [4]. Chinese scholars' research on the relationship between financial sharing and corporate financial performance is mostly normative research and case study. Few scholars use empirical research to test the relationship between financial sharing and corporate financial performance. For example, through case studies of companies such as ZTE, Haier Group, Sichuan Changhong, and China Unicom, it is found that implementing financial sharing services can not only save costs, refine the division of labor, but also streamline processes, improve business efficiency and information quality (Zhang Ruijun et al., 2010). Jin Cancan et al., 2017; Zhang Juan, 2018; Tong Chenyi et al., 2018) [5][6][7][8]. Song Fen (2019) took the financial sharing platform of Hunan Zhongyuan Navigation Engineering Co., Ltd. as the research object. The results show that the financial sharing platform can integrate accounting resources, optimize processes and improve the overall management and control level [9]. In terms of empirical research, the more representative ones are the research on the effectiveness of financial sharing services for 35 companies by He Wei and Zhou Yue (2013). The research shows that the implementation of financial sharing services can significantly improve the business performance and operation of enterprises. Efficiency [10]. The assessment of corporate financial performance is generally measured in terms of profitability, solvency, operational capability, and development capability. Considering that the main purpose of implementing financial shared services is to improve efficiency and reduce costs, this paper only selects profit. Capabilities, operational capabilities, and development capabilities to measure the financial performance of a company's finances.

In summary, this paper proposes the following assumptions:

Hypothesis 1: The profitability of a company that has established a financial sharing center is better than that of an unestablished company.

Hypothesis 2: The business operation capability of the established financial sharing center is better than that of the unestablished enterprise.

Hypothesis 3: The enterprise development capability of the financial sharing center has been established to be better than that of the unestablished enterprise.

3. Method

3.1. Data source and sample selection

This paper selects 33 listed companies that have established financial sharing service centers before 2015, and selected 33 control companies with a total of 66 samples based on industry characteristics and company size. There are two main reasons for selecting samples in this way. First, the results of research by He Wei and Zhou Wei (2013) show that the implementation of financial sharing services has a significant impact on the performance of enterprises after two years. Second, although China's 2005 Financial sharing centers have been established, but financial sharing has been widely accepted by Chinese companies in recent years. There were fewer companies implementing financial sharing services before 2015, and fewer companies disclose this information. The time for the sample companies to implement financial sharing is obtained through relevant websites such as China Knowledge Network, Baidu Academic, Daoke Baba, Juchao Information Network, and Oriental Fortune Network. The relevant financial data are from the

Guotaian database. This paper uses the profitability, operational capabilities, and development capabilities to measure a company's financial performance.

3.2. Method

The Wilcoxon rank sum test method is a nonparametric statistical method. It is commonly used to test whether two sample paired variables have significant differences. There is no requirement for sample distribution and variance homogeneity. It is also an improved symbol test, considering not only two sets of paired data. The difference between positive and negative, and the use of difference information of the difference size is a more accurate test method [11]. This paper firstly tests the established and unestablished enterprises, and then tests the paired samples in the year before the establishment of the established enterprise, the year after the establishment, the year after the establishment, and the second year after the establishment, to enhance the reliability of the results.

4. Results

The established enterprises are compared with the non-parametric test of two related samples according to the industry and scale to observe whether the established financial performance of the enterprise is better than the unestablished enterprises. The results are shown in Table 1.

Table.1. Wilcoxon rank sum test results for established and unestablished companies

Financial indicator	Wilcoxon rank sum test value
ROC	0.064* (-1.851b)
ROE	0.092* (-1.683b)
ROM	0.082* (-1.739c)
ATO	0.002*** (-3.123b)
ARTR	0.246 (-1.159b)
ITR	0.004*** (-2.861b)
OIGR	0.724 (-0.353c)
SGR	0.513 (-0.654b)
EV	0.814 (-0.235b)

Note: The brackets are the z-values of the corresponding p-values, b is based on positive ranks, and c is based on negative ranks; *, **, and *** indicate significant levels at 10%, 5%, and 1%, respectively.

From the results of the Wilcoxon rank sum test, it can be seen that:

4.1. From the perspective of profitability:

(1) First, from the P value, the P value of the Wilcoxon test of the established enterprise and the unrealized return on the enterprise's assets is 0.064, reaching a level of significance of 10%. Secondly, from the calculation basis of the Z test value, the Z test value is obtained based on the positive rank, indicating that the sum of the positive ranks of the unestablished enterprise and the established enterprise asset return rate difference is less than the negative rank, indicating that the

enterprise's asset remuneration has not been established. The rate is significantly lower than the return on assets of established companies.

(2) From the P value, the P value of the Wilcoxon test of established and unestablished corporate ROE is 0.092, reaching a level of significance of 10%. From the calculation basis of the Z test value, the Z test value is obtained based on the positive rank, indicating that the sum of the positive ranks of the unestablished enterprise and the established enterprise asset return rate difference is smaller than the negative rank, and the established enterprise has a significant return on net assets. Higher than the unestablished business.

(3) From the P value point of view, the P value of the Wilcoxon test of the established enterprise and the unestablished enterprise management expense rate is 0.082, reaching a level of significance of 10%. Moreover, the Z-test value is obtained based on the negative rank, indicating that the sum of the positive ranks of the unestablished enterprise and the established enterprise management expense rate difference is greater than the negative rank, indicating that the management fee rate of the unestablished enterprise is significantly higher than that of the established enterprise.

From the analysis results of the above three indicators for measuring corporate profitability, it can be seen that the implementation of financial sharing services can significantly improve the profitability of enterprises, and Hypothesis 1 has been verified. According to the "2017 China Financial Sharing Service Research Report" released by Ai shared, more than 90% of enterprises believe that implementing financial sharing can promote the process optimization and management standardization of enterprises, and more than 70% of enterprises believe that financial sharing can optimize financial management. The department structure saves the financial cost of personnel, and these are all important to improve the profitability of the company [12].

4.2. From the perspective of operational capabilities:

(1) The Wilcoxon rank sum test of the total asset turnover rate is 0.002, which is significant at the level of 1%, which indicates that the establishment of the financial shared service center has a significant impact on the total asset turnover rate of the enterprise, combined with the calculation benchmark of the z-test value. In view, the z-test value is based on positive rank calculation, indicating that the total asset turnover rate of established enterprises is significantly higher than that of unestablished enterprises.

(2) The value of the Wilcoxon rank sum test of the accounts receivable turnover rate is 0.246, which does not reach the significance level, but the Z test value is based on the positive rank calculation, indicating that the established company has a high turnover rate of accounts receivable. Not established a business.

(3) The P value of the Wilcoxon rank sum test of inventory turnover rate is 0.004, which is significant at the level of 1%, and the z-test value is obtained based on the positive rank, indicating the positive rank of the difference between the unestablished enterprise and the established enterprise inventory turnover rate. The sum is less than the negative rank. Based on the above two points, the inventory turnover rate of the established enterprises is significantly higher than that of the unestablished enterprises.

From the above analysis results, it can be seen that whether it is from the total asset turnover rate, accounts receivable turnover rate or inventory turnover rate, the operational capacity of established enterprises is significantly higher than that of unestablished enterprises. Hypothesis 2 is verified. Implementing financial sharing services can significantly improve a company's operational capabilities. The results of the study were consistent with the results of a comparative analysis of the year before the implementation of the financially shared enterprise and the year of implementation, the year after implementation, the two years after implementation, and the three years after implementation. The two essential characteristics of implementing financial sharing services are to reduce costs, and the other is to improve efficiency. By integrating resources, standardizing and centralizing the business, and improving the management level of the enterprise, thereby improving the operational capability of the enterprise.

4.3. From the perspective of development capabilities:

(1) The P value of the Wilcoxon rank sum test for the growth rate of the operating income of established and unestablished enterprises was 0.724, which did not reach a significant level. Combined with the magnitude of the z-test value and the calculation basis, the Z-test value is based on the negative rank, indicating that the growth rate of the operating income of the established enterprise is smaller than that of the unestablished enterprise, contrary to the assumption.

(2) The P value of the Wilcoxon rank sum test for the sustainable growth rate of established and unestablished companies was 0.513, which did not reach a significant level. Combined with the magnitude and calculation benchmark of the z-test value, the Z-test value is based on the positive rank, indicating that the sustainable growth rate of the established enterprise is greater than that of the unestablished enterprise.

(3) The P value of the Wilcoxon rank sum test for the EVA improvement rate of established and unestablished enterprises was 0.814, which did not reach a significant level. Combined with the magnitude and calculation benchmark of the z-test value, the Z-test value is based on the positive rank, indicating that the EVA improvement rate of the established enterprise is greater than that of the unestablished enterprise.

From the above analysis results, it can be seen that the impact of implementing financial sharing services on the development capability of enterprises is not significant, and hypothesis 3 has not been verified. Although the sustainable growth rate and EVA improvement rate of established enterprises are greater than those of unestablished enterprises, they have not reached a significant level. Factors affecting the development capability of enterprises are related to many factors such as product quality, competitors, brands, sales strategies, etc., in addition to the establishment of financial sharing service centers. The research results of this paper indicate whether the establishment of financial sharing service centers is at this stage. It is not a major factor affecting the ability of enterprises to develop. The reason and the company's CFO, financial manager, etc. have a great relationship with the positioning of the financial sharing center. According to the "2017 China Financial Sharing Service Research Report" released by Love Sharing, more than 70% of the enterprises share financial information. The understanding still stays at the level of financial accounting. The understanding of the financial sharing center is not enough and the positioning is too low. It is better than the financial sharing service center in terms of invoice processing, expense reimbursement, payable settlement and other financial work efficiency and personnel financial cost. Enterprises, but the impact of these aspects on the development capabilities of enterprises is not very significant ^[12].

5. Conclusions

This paper uses the data of China's listed companies from 2004 to 2017 to empirically test the relationship between the implementation of financial sharing services and corporate financial performance. The results show that the establishment of financial shared service centers can significantly improve the profitability and operational capabilities of enterprises, but the development of enterprises The ability does not have a significant impact.

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