

Research on the Impact of Financial Sharing Service on Corporate Financial Performance——Taking ZTE as an Example

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Abstract: Financial sharing service is a new type of financial management mode popular in group companies in recent years, which effectively solves the heavy basic financial business processing work brought by the group enterprises due to the expansion of scale. However, what benefits does the group's financial shared service model bring to the enterprise, and how the original intention of the company's implementation of the group's financial shared service model has not been effectively studied. Taking ZTE as an example, this paper analyzes the benefits brought by the Group's financial shared service model to the group enterprises. The analysis found that the Group's financial sharing services have improved ZTE's financial processing efficiency, reduced financial processing costs, increased capital management concentration, and effective control of capital activities.

1. Introduction

As the first enterprise in China to implement financial sharing, ZTE's most urgent problem facing enterprise managers after the establishment of its financial shared service center is how to solve the business pressure brought about by change in an orderly and effective manner. To achieve this goal and achieve rapid development, the shared service center must be based on improving its management level and quickly establish a complete performance management system. Paying attention to the performance level of the financial sharing service center will help managers recognize the location of the sharing center in the current industry and ensure that customers provide quality services with stable output.

2. Selection of indicators for performance evaluation of group financial shared services

The benefit analysis of enterprises is also the measurement of business performance, the benefit analysis under the financial sharing service model should be based on the traditional benefit analysis system, and from the goal of implementing the financial shared service model, the contribution of the financial shared service model to the group enterprises in practice. Generally speaking, the main goal of the group's initial establishment of the financial sharing center is to reduce the operating costs of the company, improve the processing efficiency of business documents, improve the quality of work, and improve customer satisfaction and employee satisfaction. The realization of these goals will lead to changes in other aspects, such as strategic services and internal control of the group companies. Here, the benefits of the group's financial shared services are analyzed from three aspects: financial status, fund management and internal control.

2.1 Financial status indicators

Part of the goal of the group's financial shared service model is to reduce financial personnel and reduce the transmission of information, thereby reducing related costs. The realization of these goals is mainly reflected in the financial staff, management fees and financial processing costs of the same scale. The evaluation indicators of financial status mainly include: comparing the growth rate of management personnel, management expenses and assets to study the changes of personnel and part of the expenses under the group's financial sharing mode; The financial treatment costs were selected

before and after the implementation of the financial shared service model to discover the control of the group's financial shared service costs.

2.2 Fund Management Indicators

The benefits brought by the Group's financial shared service model in fund management are mainly reflected in the benefits of expense reimbursement, management of receivable and payable funds and management of monetary funds. Then, in the selection of evaluation indicators for fund management, it is mainly through the evaluation of the efficiency of the reimbursement of the group enterprises before and after the implementation of the financial sharing service model, and the concentration of the management of the accounts receivable, funds and monetary funds to highlight the benefits of the group's financial sharing service model to the company in terms of capital management.

2.3 Indicators to improve the effectiveness of internal controls

With the development of the economy, the risks faced by enterprises are getting bigger and bigger, and the requirements for the management level of enterprises are getting higher and higher. In recent years, internal control has become the focus of government, business and society. Especially after the Enron incident in the United States in 2001, internal control once again became a problem that enterprises need to focus on. What benefits does the Group's financial shared service model bring to the company in internal control? From the perspective of the group's financial shared service process, in terms of internal control, the group's financial shared service model is mainly reflected in the control activities. Therefore, the evaluation of the effectiveness of the internal control of the Group's financial shared service model is mainly related to the business activities under the control activities.

3. Performance Analysis of ZTE Corporation's Financial Shared Service Model

3.1 Reasons for selecting ZTE

With the expansion of the scale of the enterprise and the expansion of the business, the traditional decentralized financial accounting and management model can no longer meet the needs of enterprise development. How to improve the financial efficiency of enterprises and reduce the financial cost has become an urgent problem for enterprises. In this development context, financial sharing services have emerged. Financial sharing services were born in the 1980s. When financial sharing was still a concept in China, ZTE had already put it into practice. As the first batch of enterprises in China to realize financial sharing, ZTE's research on its financial performance can provide a good reference for enterprises that have established financial sharing and enterprises that will establish financial sharing.

3.2 ZTE Corporation's financial shared service model structure

The architecture of ZTE's financial shared service model is based on the general organizational structure and the structure formed by combining the characteristics of the enterprise itself - the platform integrated network financial system model. Service systems, accounting systems, money management systems, financial management systems, and decision support systems. The advantage of this choice of organizational structure is mainly to reduce the processing of the basic business. The network reimbursement and bill image are the focus of ZTE's financial sharing center. These two modules have played a major role in the basic business processing of ZTE. The advantages of this organizational structure are: the enterprise achieves economies of scale, reduces repetitive work, finds problems in a timely manner, and processes are more standardized. The disadvantage is that strong information technology support is required and a large amount of information technology support costs will occur.

3.3 Analysis of financial status

(1) Comparison of company size, number of management personnel and management expenses

The establishment process of ZTE's financial sharing service has gone through three stages: the

initial stage, 2003-2005; the growth stage, 2006-2008; the mature stage, 2009-present. The following is a comparison of ZTE's three-stage enterprise scale (total assets), number of managers, and management fees to understand the changes in ZTE's cost before and after implementing the financial shared service model. See Figure 1.

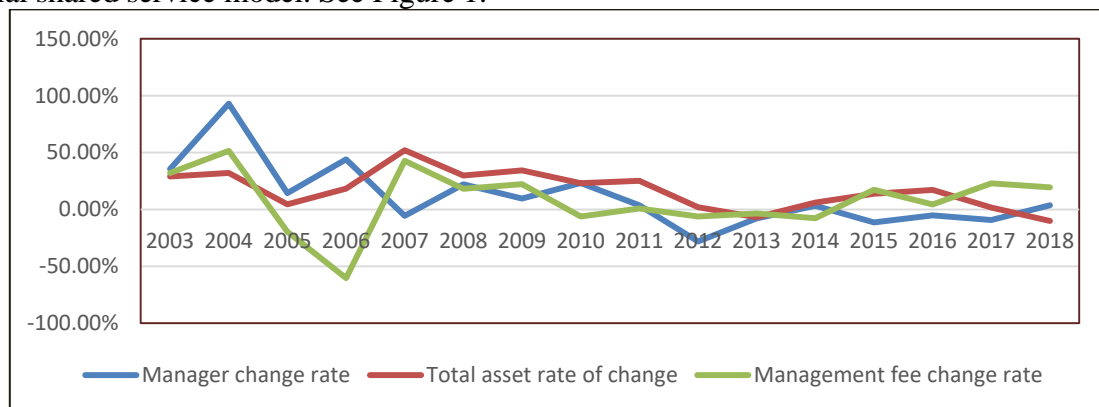


Figure 1. Asset, management personnel, management fee growth rate change chart

As shown in Figure 1, before the introduction of the concept of financial sharing model, ZTE's managerial growth rate was significantly higher than the growth rate of the company's size (total assets). In 2005, ZTE Corporation began to introduce the concept of financial sharing service model. Since 2007, the growth rate of management personnel and management expenses of ZTE Corporation has started to be significantly lower than the growth rate of enterprise scale. In 2008, the financial sharing center of ZTE Corporation was formally established in Xi'an. The growth rate of ZTE's management personnel and management expenses began to be relatively stable below the growth rate of the company. This effect is mainly due to two aspects: First, the establishment of the financial sharing center has reduced the processing cost of the basic financial business. Second, the financial sharing center was transferred from Shenzhen to Xi'an. The wage level in Xi'an was lower than that in Shenzhen, which reduced the number of managers and reduced management costs.

(2) Comparison of financial processing costs

In the years since ZTE introduced the concept of financial sharing model, the number of corporate financial personnel and financial processing costs has undergone tremendous changes. Table 1 shows some comparative data before and after ZTE establishes a financial sharing center.

Table.1. Comparison of the basic situation of domestic financial processing of ZTE Corporation

Time	Basic business processor	Total cost (ten thousand yuan)	Document processing cost (yuan/document)	Document processing efficiency (hours)	Financial business processing efficiency (days)
Before the establishment of FSSC	87	619	15.35	168	2.8
After the establishment of FSSC	43	296	4.34	72	0.22
Number of changes	44	323	11.01	96	2.58

It can be seen from Table 1 that after the establishment of the financial sharing center by ZTE, the number of basic business processing personnel has been reduced by half, and the total cost of payment to the basic business processing personnel has also dropped by about half. The initial processing of document processing uses image scanning, which greatly improves the processing efficiency of documents. The processing cost per document was particularly significant, with a

decrease of 11.01 (yuan/document) and the financial processing efficiency decreased from 2.8 days to 0.22 days, saving 2.58 days. This is mainly due to the standardization of repeated business in the financial sharing mode, which saves manpower and financial resources, so that financial costs are effectively controlled.

3.4 Analysis of fund management indicators

(1) Cost reimbursement changes

ZTE Corporation established the Financial Sharing Center. The most prominent functions are: ticket scanning, online reimbursement and online payment, which has brought great help to ZTE in terms of expense reimbursement, mainly in the following aspects:

1) The reimbursement process of reimbursement personnel is simple and convenient, and it can be reimbursed anytime and anywhere. In this mode, ZTE Corporation has realized mobile office and remote reimbursement. Reimbursement personnel can fill out reimbursement documents at any time. Leaders can review reimbursement documents anytime and anywhere, and realize the working mode of human-machine integration.

2) Saving time and cost of reimbursement. In this mode, the reimbursement staff does not need to go through the reimbursement process everywhere. It only needs to wait for the leader to log in to the system and review the signature after completing the reimbursement document. Save time and money on reimbursement procedures.

3) Strengthened the management of monetary funds. Under the system, the reimbursement payment of the expenses by the Financial Sharing Center enables ZTE's funds to be centralized, and the management of funds has been highly unified, which facilitates the management of funds at the group headquarters. When faced with suitable investment opportunities, the group companies can flexibly mobilize funds and reduce opportunity costs.

(2) Management of receivable and payable funds and monetary funds

The management of accounts receivable and accounts payable is mainly the management of security. According to the survey, ZTE continues to expand the scale of its business, especially overseas. However, due to the expansion of the scale of enterprises and the differences in laws and regulations between regions, ZTE has encountered major problems in fund management. After ZTE established a financial sharing center in Xi'an, it strengthened the management of corresponding receivables and payables. In terms of security, it is mainly to strengthen the management of accounts. For the funds to be paid, most of them are paid through the Group Financial Sharing Center, which strengthens the unified management of accounts receivable and realizes shared services on the system. ZTE adopts different ways of fund management in different regions to achieve cross-border capital flow management. In the financial sharing system, you can see the overall situation of the accounts receivable and payable funds of all branches, so that the group headquarters can find out the potential risks in time and make decisions quickly.

3.5 Internal Control Effectiveness Analysis

The effectiveness of ZTE's implementation of the financial shared service model in the effectiveness of internal control is mainly fund management activities. After the implementation of the financial sharing model, accounts payable are managed by the financial center and paid in a centralized manner. In addition, in the reimbursement system, the confidentiality of information technology and other work has been strengthened, and the phenomenon of impersonating the signature of the leadership to defraud the corporate funds has been effectively controlled. Moreover, under the group's financial sharing, ZTE has realized group-wide financial monitoring, and the documents are randomly distributed, which reduces the risk of collusion among staff.

4. Conclusion

The case study of the construction of ZTE's financial shared service model provides assurance for the effective implementation of financial management innovation and financial strategy of Chinese enterprise groups. Through research, the main conclusions of this paper are: Under the group

financial shared service mode, the financial operation cost of the enterprise decreases; the efficiency of the basic financial business is improved; the level of fund management is improved; the control of the fund management activities in the control activities of internal control is effective. The successful financial sharing service model needs to start from the financial business, implement the cost leadership strategy, and pursue the process of institutional innovation, technological innovation and financial management.

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