

The Application Status and Countermeasures of Enterprise Group Financial Shared Services Model—Pacific Insurance Companies

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Abstract

Deepening of economic globalization and increasing of financial management difficulty brought commercial forms and management pattern continuously challenge and subversion. Science and technology change life also changed the enterprise management behavior, and promoted the financial to the transition of the value of financial management. The original decentralized financial management mode had been questioned; innovative financial management system reform was urgently needed; cost was high; the problems mainly displayed in company management quality and efficiency decline: Group control harder; Increasing the financial and operating risk of the enterprise. Application of financial sharing model is to help bridge in the transformation of financial management. This paper focuses on discussing the present situation of the application of enterprise financial model and problems, and in view of the problems puts forward strategies, thus it can promote the level of financial management of Chinese enterprise.

Keywords

Financial Shared Services, Application Status, Countermeasure Analysis

1. The Background of the Study

Shared services appeared in the 1980s American ford company. Its main purpose is to save costs, effective integration of resources, technology and processes, the standardization of management process and value, and create value, etc. Because of China market economy opening time relatively late, policies and regulations are relatively

perfect and business habits are different, and different regions of enterprise is generally believed that the implementation of financial shared services is difficult, so much so that some economies of scale and efficiency of large enterprise groups also rarely apply this mode. But, as represented by cloud computing, big data of a new round of the impact of information technology, more and more Chinese enterprises start planning application or financial shared services model.

In the mobile Internet era, the value of the data is gradually digging, and enterprise management mode also accelerates development accordingly. But under the fierce competition, the enterprises face the risk of gradually increased, the financial management as the core of the enterprise value creation system and enterprise management, its shortcomings are gradually exposed. In this information, it is far to satisfy the needs of the business situation, forcing the enterprise financial transformation, namely through efficient financial process to enterprise's cash flow, information management, enterprise merger, investment and financing and so on each link to control, use of big data analysis technology to efficient allocation of resources in the field of high returns. And finance as the core part of the group companies, the road of reform is imperative.

This article is a literature review of domestic and foreign financial shared services from the start, including financial shared services concept, advantages and applications perform critical factor. And it specifically discusses that the advantages of Chinese enterprise group in shared mode, as well as the faced problems in practice, according to the method of case study of the financial shared services model and the support of case data, it can provide some guidance and reference for future business

2. The Present Research Situation of Domestic and Foreign and Review

2.1. Foreign Research Status

Research in financial Shared services concept, Danna Keith & Rebecca Hirschfield (1996), shared service center is a independence strong organizational entities, scattered integration in the enterprise business activities, have certain independence, executive paid services [1]. Schulman (1999) for the financial shared services at its own definition, simply put, is the integration of resources across the organization, under the principle of full cost-effective to provide the functions of service, the aim of increasing the added value of the enterprise.

Financial Shared services application advantages, Martin & Fay (2006) according to the practice of the organization, as a kind of competitive strategy and sustained financial Shared services composition, eliminates the centralized, decentralized, periodic reversal, in cost, quality and timing are very competitive [2]. Bryan Bergeron (2003) after the advantages of financial shared services for analysis pointed out the advantages of financial shared services is that a new business unit consolidated like an open competitive market, regulatory agencies are set up separately, the advantage is to create added value cost savings, improved quality of service.

Financial Shared services in key factors research, Kagelmann (2000) pointed out that in order to process applications as a guide, repeatability and value-added business merged into the Shared service center, optimize the allocation of resources, provides a more likely on the economies of scale. Parr, CEO of IBM Sano (2005) considered in the course of business and technology continue to spread, the more tissue is seen one fragmented, specialized modules grouped together.

2.2. Domestic Research Status

Concept, rui-jun zhang (2008) pointed out that financial shared services are a kind of based on the depth of organizational change of the depth of the management mode. The key point of financial Shared services is that financial management can be implemented on the centralized accounting and centralized management. Zhang Rui jun, Chen Hu, Hu Yaoguang *et al.* (2008) for the financial shared service and that is: the internal organization of decentralized financial operations moved into a new business center in full unified accounting and management [3].

Financial Shared services application advantages, Hou Rui, Shifeng Zhao (2010) through the financial Shared services of China telecom achieved remarkable results, this paper discusses the financial shared services to bring the huge change within the organization, this advantage is mainly reflected in the basic work standard, improve accounting efficiency, strengthen the risk management, business support ability of these four aspects [4].

Financial Shared services in key factors, Chen Hu, Dong Hao (2008) link the five performance management

dimension and depth of the four management, combined with China's Zhongxing Communication Company specific case, this paper proposes a about performance evaluation of practical model [5]. Jiao Yan *et al.* (2010) concerned the SSC in the implementation of several errors, the main common errors are: financial share to be in the implementation of internal organization quickly, all the problems organizations rely SSC resolution. While pointing out errors, made on the strategic point of view.

Foreign scholars mainly based conclusions on the basis of a large number of case studies on the SSC formed, good at using digital visual expression of shared services in the implementation of performance advantages gained; foreign research focused on reengineering and resources optimization. Compared with western countries, Chinese financial Shared services model for later research. Because few application sharing service in Chinese enterprises, the theory and experience are relatively scarce, in terms of the advantage of the shared services mainly borrowed from multinational group and the company, and we are in the early stages of the financial shared services and focus on the factors of execution and the current environment.

3. The Advantage of Group Enterprise Financial Sharing Mode

Although the development of Chinese financial shared services model is very short, but because of its advantages and innovative thinking, the particularity of Chinese enterprise financial sharing model in theory and practice have a certain contribution, mainly embodied in the following aspects:

3.1. Reduce the Labor Costs and Management Costs

Enterprise financial shared services center through the establishment of model, and using financial information sharing platform, in the case of the group's overall business portfolio unchanged, the daily business, resources, information on the financial shared services center, the use of optimization of the process and system, an employee can handle multiple units of the same business, so that greatly reduce the number of financial personnel, reduce the labor costs; at the same time, the implementation of the sharing model eliminates repetitive, tedious business, promote the standardization and standardization of business process more, has improved the operation efficiency of enterprises, reducing the costs of internal management.

3.2. Promote the Enterprise Competitiveness and Potential Scale

Shared service center can provide enterprises with more ancillary services, reduce unnecessary waste of energy. For example, when business is to buy other subsidiary, financial Shared services center can be quickly and efficiently to provide financial services for the new subsidiary, shows strong ability of resource integration and efficiency of the allocation of resources to achieve optimal state, in this way, the enterprise the management can focus on strategic planning, such as the core task. The center also can separate provide paid financial services for other businesses, the new economic growth point of formation within the group. After implementing financial Shared services center mode, group do not have to waste resources to establish new business set up the finance department and other departments, as a result, businesses can become more flexible, comfortable, have the strength of the expansion of the scale, the enterprise's core competitive ability has been greatly improved.

3.3. Improve the Financial Management Level and Efficiency

Financial Shared services model in the professional IT system support, the segmentation can be tedious business, make it become standardized, specialization. Financial Shared services model to complex working process adopts the unified standard of business, and have all the financial data and related indicators of the group of all rights, privileges and necessary procedure of examination and approval procedures. Such not only can be timely trans-regional, cross-sectoral integration of data, improve the work quality and efficiency, also achieve the right checks and balances within the enterprise. At the same time, the model can make the IT system more standardization and specialization, processing process more effective.

4. The Existing Problems of Group Enterprise Financial Shared Services Model

4.1. Construction of Talent Team Is Slow

Enterprise establish financial shared services model, often from financial department personnel service, and the

financial staff of professional quality did not meet the requirements of the center of the new model, also can't accurate grasp various business center, a simple basic financial analysis ability, such as financial accounting, control and risk assessment is more complicated and comprehensive financial work can't do the job, resulting in the lack of the core value of financial work part. Financial shared services model need professional talent at the same time, to grasp the business from the dynamic information, and the original financial personnel professional knowledge is poorer, the actual level of Financial Management Co., LTD. And enterprise promotion incentives rarely by comprehensive selection, and simply transfers.

4.2. Process Management Level and Consciousness Is Low

Financial shared services model simplification and standardization of procedure, by omitting unnecessary repetitive, non value-added work, can make the process more simple and efficiency, thus enhance operational efficiency, reduce cost and improve the effect of the core competitiveness. But because Chinese financial shared services center model introduced late, lack of enterprise to the concept of process management. Many enterprises exist misunderstanding, thought that as long as you can follow up the implementation of financial shared services center continue to reduce costs, improve operational efficiency, but only in the reconstruction process after continuous optimization and improvement to achieve the above advantages, ignore the error led to the idea of management process management role as the core of the financial Shared center mode, lead to the lack of the consciousness of process management, affect the enterprise sustainable development.

4.3. Information System Integration Degree Is Not High

Financial shared services model, although a lot of enterprise applications to speed up the informatization construction, invested a lot of information technology, and application and implementation of some electronic payment, mature technology such as network accounting, financial Shared services center widely implement the effective technology, greatly improving the business plate processing efficiency and service quality. But due to the lack of an effective enterprise integration platform of information data, makes the synergy between each system difficult to play. Like many enterprise independent research and development of the system has some detail incomplete financial statements, the problem such as local and remote operation of not harmonious, if the data service ability is weak, supportive information source is more dispersed, financial shared services center will greatly influence the implementation of the benefits. Therefore, although the construction of enterprise financial shared services model, but because of incomplete information system platform, unable to effectively use and integrate all the information, will become an obstacle to the financial shared services model of enterprise applications.

5. Case Study—CPIC Group's Financial Shared Services

5.1. CPIC Introduction

CPIC was established in 1991, its predecessor is China Pacific Insurance Company, the Group through more than 6000 branches and 8.2 million specialty life insurance salesmen, for the country 70 million customers with comprehensive security including personal and property insurance, including solutions, investment banking and asset management services.

5.2. The Developing Financial Problems of CPIC

Organizational inefficiencies, huge cost. Each of the R & D, sales offices, international subsidiaries, we need financial support expatriate personnel, both in quantity and quality requirements, and cannot be shared among the country people, the rapid increase in costs. A number of the company's financial staff, a large number of accounting jobs duplication, cannot achieve economies of scale.

Low level of management, lack of business support and strategic propulsion capability. Decentralized financial organizations on the one hand have to face cost pressures and inefficient, it also severely restricts the ability of business support and advance its strategy should play. This ability cannot escape from the constraints of the underlying business, accounting and financial data processing business based reconciliation finance team spent a lot of energy, and further affect the business in-depth business and promote the implementation of corporate strategy.

Independent information silos difficult to ensure the quality of financial information. From the branch center companies, branch offices, headquarters to the Group's five-level accounting, the huge data sources scattered in various branches of accounting, accounting information is difficult to achieve standardization.

5.3. The Positioning and Pricing of Shared Services

CPIC Group Financial Shared Services Centre located in the company's group financial professional back-up support, provide support in terms of financial accounting, financial accounting, statistical data processing. Business Pricing includes: clearing center, accounting center and system maintenance/Rules Report Center. CPIC Group's shared services on pricing are also planned in three steps:

The first step: the cost recovery method. The early days of shared service center, which will cost the imputation of a certain way of sharing to a professional company, this time locating shared services centers are cost centers.

The two step: cost plus method. After the payback period, the SSC to determine a reasonable cost and effective service, taking a profit on this basis, the cost-plus approach to pricing services unit, then locate the shared service center is a profit center.

The third step: market pricing. In the intermediate stage of the implementation of shared services and the advanced stage of the Shared Services Centre to further improve operational efficiency, service unit costs decline further, close to or below the market price, according to market prices, and when conditions are ripe, while considered to external customers provide services, to become an independent business entity.

5.4. The Revenue of Implementation Financial Shared Services

Tangible benefits: reduction of grass-roots financial personnel engaged in accounting practices, as well as the corresponding financial reimbursement processing costs through the center; maintenance center through the central accounting system implementation and effectiveness of various types of centralized data platform brings, especially to improve information security and accuracy; maintenance center through the system to achieve financial unified management standards.

Intangible benefits: the quality of service and efficiency; centralized, standardized and harmonized operation to reduce operational risks; to establish a unified system processes, centralized management and monitoring functions, centralized operation and maintenance of an effective risk prevention, to reduce the cost of risk prevention; employee career extension and raise the level of professionalism. **Figure 1** shows that the risk in the

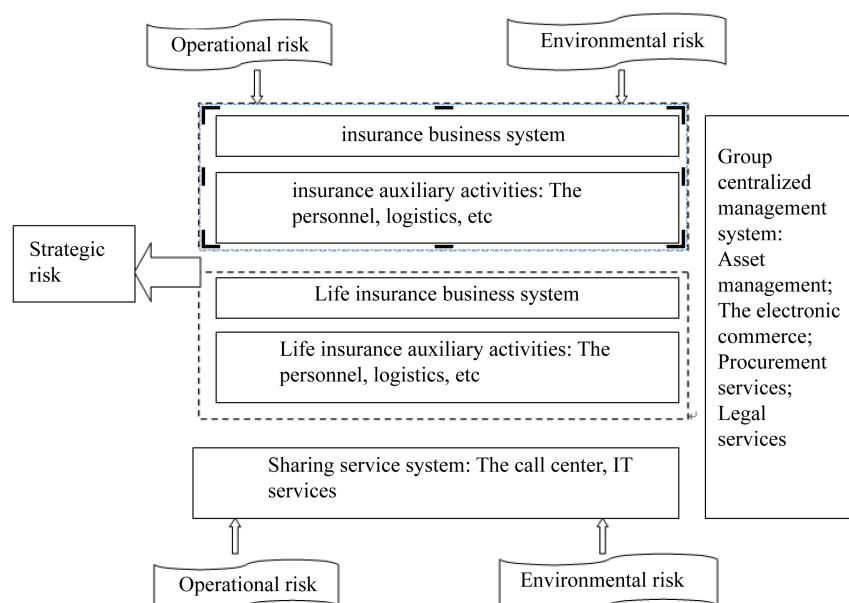


Figure 1. Pacific group shared services after the decision-making, the risk in the business and support system.

business and support system of Pacific group shared services after the decision-making. From **Figure 1**, we know that their ingredients of operation risk, environment risk and strategic risk.

6. Countermeasures and Suggestions

By CPIC Group Financial Shared Services Financial Problems, positioning, pricing and benefits analysis, we found that: China Enterprise Group Financial Management Reform—the process of building financial shared services with its unique experience and focus on the success factors, and give us the following recommendations.

6.1. The Construction of Financial Talents

Financial shared services center model is on the implementation of a remote centralized management, financial personnel should have high technology and ability to communicate. Competition, enterprises can adopt some forms, such as selection of different areas of professional talent team, improve the level of personnel's professional ability and comprehensive quality. As for the management and control, such as preparation of financial statements requires multidisciplinary knowledge of business, need comprehensive ability and strong professional knowledge staff to complete. As well as strengthening the consciousness of employee flow management, many employees thought process reengineering is a responsibility of the management department and has nothing to do with yourself, this is more likely to lead to the failure of the process management. Both in terms of awareness, technology level and control, to form a process management culture atmosphere, make the enterprise financial personnel not only possess professional knowledge and the quality process management.

6.2. Improve the Level of Overall Process Management and Management Concept

In terms of process management, foreign multinational companies have established perfect process management system, continuous improvement and optimization process, and then continue to reduce costs and improve the quality of service, Chinese enterprise may, in accordance with its own characteristics, draw lessons from foreign advanced experience, such as according to the size of the business, the change of organization structure, using the function of the processing flow chart, cross technology such as mapping, fishbone diagram to financial shared services process, continuous improvement and optimize the process of transformation as an important subject of financial shared services center. Only according to age characteristics, and constantly optimize the enterprise's own financial shared services process, training and the introduction of process management talent, improve customer satisfaction, to improve international competitiveness.

6.3. To Strengthen the Construction of Informatization, Ensure Scientific Decision-Making

In this information updated so frequently in the society, enterprises to better development, it must have timely access to information platform and help enterprises to better avoid risk and financial management, so as to make strong decisions. First of all, enterprises should actively strengthen the construction of database integration of different database resources and provide good information basis for information management, so that enterprises better risk control. Then, the enterprise should actively introduce and absorb advanced modern information technology, strengthen the enterprise's information construction, realize the intelligent management and modernization.

At present, the majority of Chinese enterprises in implementing or planning and construction of shared services still have a large gap compared with foreign, but it can influence on the future trend of the development of financial industry. Now, under the pressure of competition, more and more enterprises begin to implement financial shared services model, in the constant practice also more promote the concept of financial management reform and innovation. Belief in the future development of the financial shared services center will make handier when a company faces many challenges and realizes the sustainable development of enterprises.

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