

Problems and Solutions of Financial Management Transformation under the Establishment of Financial Shared Service Center

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Abstract

This paper starts from elaborating the importance of Financial Shared Services, and then analyzes financial management-related risks faced by enterprises in establishing financial sharing centers. Also, it puts forward the advice of improving Financial Shared Services in application. This paper aims to improve enterprise's effectiveness and efficiency of financial management work during and after the establishment of Finance Shared Service Center (FSSC).

Keywords

Finance Shared Service Center, Financial Management, Staff Transformation, Accounting, Information Platform

1. Introduction

Corporation thinking, decision-making and corporate culture transcend national boundaries along with the globalization of enterprises and the increasing number of transnational corporations. Besides, in order to maintain the competitiveness of enterprises, to improve the efficiency of operation, enterprises and other organizations strive to be condense and flat. Also, the widespread use of "big data", "financial intelligence", "cloud computing", "internet of things" and other information intelligence processes contribute to effective disposal mass data and information.

Financial Shared Service, as a Shared Service in the financial area of an application, adapted to the today's conditions, not only effectively reduces the enterprise financial cost, but also greatly improves the processing efficiency of the en-

terprise business.

However, when building the FSSC, enterprises may face some problems in financial management, which may affect the accounting efficiency, even cause the waste of enterprise resources, and have an adverse impact on maximizing shareholders' equity.

This paper analyzes potential impacts and proposes solutions aimed at making enterprises more efficient and effective in building FSSC.

2. Conception of Financial Shared Services

Schulman et al. (Schulman et al, 1999) define Shared Services as to concentrate resources which across organizations within the corporation and jointly provide professional services for diversified internal cooperation with lower operating costs and more flexible services, so as to ultimately improve the enterprise value. Su (Su, 2019) argues that Financial Shared is a process of dealing the financial business with high-tech information technology. Through Finance Shared Services, the structure of the enterprise's financial department is rearranged scientifically, and the financial business process is further standardized. And operating costs are well controlled and reduced.

3. The Strategic Goal of Financial Shared Service Center for Chinese Enterprises

The report "*Status and Prospects of Financial Shared Services for Chinese Enterprises*" released by ACCA in February 2013 collected 249 questionnaires, which reveals enterprise's purpose of implementing FSSC. As is shown in the **Figure 1**, more than 60% Chinese enterprises that want to employ Finance Shared Service are aiming to improve the capability of financial department, and transform to standard financial process. More than 50% of Chinese enterprises believe that the implementation of Shared service is very important to reduce financial costs, improve the efficiency of financial processes and create more valuable work objectives. More than 40% of enterprises believe that it is also important to improve the ability of financial personnel, achieve overall financial transformation, improve the transparency of regulatory requirements, and improve the quality of financial services (ACCA, 2013).

4. Potential Problems with Establishing a Financial Shared Service Center

There are three types of potential problems described below which are about organization structure, employee's attitude and risk from branches' condition respectively.

4.1. Bloated Organization and Over-Staffing

Employees newly introduced to the FSSC may have difficulty in quickly meeting the work requirements and needs, creating the illusion of staff shortage. In order

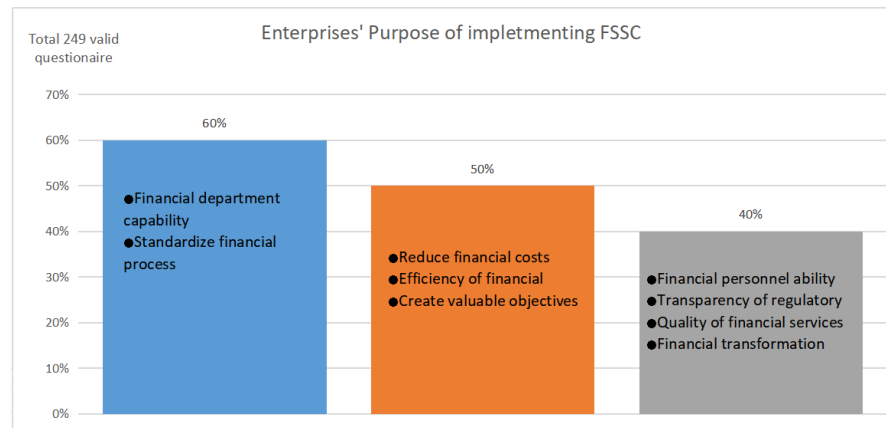


Figure 1. Enterprises' Purpose of Implementing FSSC.

to compensate for this problem, the enterprise will add additional personnel, resulting in personnel redundancy. In addition, the employees of the FSSC are mainly from the original financial department of the enterprise, which tends to maintain the original working habits. If the work direction is unclear, it is likely to cause the problem of repetitive work. The original intention of the establishment of the FSSC is to simplify the hierarchy of the organization and improve the efficiency of financial work. However, if the staff's work is not clear and the efficiency is low, the FSSC will only be redundant and bloated (Lu, 2019).

4.2. Employee Resistance to Change

The establishment of the FSSC has a huge impact on the original financial department. Some employees are assigned to the FSSC to do single and repetitive work, which makes employees lose their passion for work, and resists the change of organizational structure and work tasks, leading to brain drain. The remaining employees in financial department will also think that the reduction of department staff will lead to increasing workload, resulting in resistance of reform (Sun, 2020).

4.3. Risks from Diversified Branches

The FSSC centralizes data input from different branches. However, branch markets' conditions, local financial policies, laws, and guidelines are not completely same, leading to the risk of improper data processing and tax risks. In addition, long-distance contact reduces communication efficiency, and increases the cost of long-distance travel, which result in the increasing rate of business risk (Huang, 2019).

5. Financial Management Transformation Measures of Chinese Enterprises under the Financial Sharing Mode

This chapter claims how to deal with the above three questions. **Table 1** shows which following solution corresponds to which potential problem mentioned above.

Table 1. Potential problems and solutions with establishing a FSSC.

Potential Problems	Potential Problems and Solutions with Establishing a FSSC	
		Solutions
		1) Define the Position of FSSC
Bloated organization and over-Staffing	5.1) Identify the function of the FSSC in the organization	2) Standardize Financial Accounting System and Process
		3) Centralized Financial Model
	5.2) Corporate Shared service culture publicity	
Employee Resistance to Change		1) Financial personnel reintegrating Work
	5.3) Efficient Allocation of Financial Human Resources	Financial staff training and task transformation
		Professional personnel recruitment
Risks from Diversified Branches	5.4) Strengthens the Information Platform Construction	Financial System Integration and Technology Update
		Office system reform

The following statements respectively introduce the solutions in detail.

5.1. Identify the Function of the FSSC in the Organization

1) Define the Position of FSSC.

Before the establishment of the FSSC, the enterprise is supposed to make clear the position of the FSSC in it, the work to be completed by the employees, and what original positions will be replaced. Then, according to the functions of the FSSC, enterprise can determine the location of the financial FSSC, a handover of work to be replaced, and the direction in which talent is recruited or assigned. The FSSC should focus on different functions of the original financial department, so as to avoid repetitive work, or omission of work, unclear rights and responsibilities.

2) Standardize Financial Accounting System and Process.

Unified financial accounting standards and procedures need to be developed. Enterprises should generate financial information of each branch in real time, and achieve data consistency and transparency. It is useful that supporting the management monitoring of branch companies and group headquarters through network, which can help managers monitor and compare the financial status and operating results of branch business units. In this way, the operational efficiency of the group and the collaborative efficiency of resource allocation can be improved.

3) Centralized Financial Model

Centralized financial management means that the group headquarters concentrates financial personnel, bank accounts, capital and even the right of resource allocation and management control in the headquarters to strengthen the financial control of the whole group. The centralized processing business model

can simplify accounting hierarchy, avoid the insufficient phenomenon of internal transaction offset, shorten the financial reporting process, standardize the accounting, and strengthen the financial monitoring ability. Moreover, centralized accounting promotes centralized capital management and reduces capital precipitation and capital cost. The centralized financial management model enables information to be fully shared and financial policies to be effectively implemented by concentrating people and businesses to do things in the same place and with the same standards.

5.2. Corporate Shared Service Culture Publicity

The construction of the financial Shared service center needs to change the original organizational framework, business processes, personnel duty and post, which will affect the interests of different departments or branches. The support of management and the emphasis of corporate culture can promote the establishment of the Shared service center. The management can conduct workshops for employees to draw up their future career plans, and listen to their opinions, so as to create a good cultural atmosphere. At the same time, effective incentive mechanism should be established to make employees more motivated to participate in the reform (Gu, 2020).

5.3. Efficient Allocation of Financial Human Resources

1) Financial Personnel Reintegrating Work

FSSC urges the financial personnel to carry on more specialized work and re-engineer the accounting in the form of a “service department” that operates independently. The work of financial accounting is the professional treatment of the same process in many enterprises. In the accounting treatment of a certain branch, financial accountant does not have to master all the business processes to handle their accounting business. Basic financial accounting completed by professional financial accountant ensures the accounting records and reports to reach accounting standards. The management accountant is liberated from the complicated financial accounting work, and focus on operational analysis and strategic planning which improves operational decision support for the company. The functions of management accountant can be transformed to assist the enterprise managers make decision in operating business.

2) Financial Staff Training and Task Transformation.

As the financial sharing leads to the division of financial labor again, the new financial work must be more or less changed for the employees. The enterprise should conduct professional training for employees, so that employees can find their future positions and understand the new work area. Employees can quickly adapt to the financial transformation of the enterprise and participate in the financial shared service. Enterprises can consider setting up professional training and enterprise strategy training to enhance employees' overall perspective, understand enterprise business processes and future development direction, and

promote employees to realize the transformation from financial accounting to management accounting.

3) Centralized Financial Model

When the enterprise is in the initial stage of establishing the FSSC, the company's employees growth cannot catch up with the speed of establishing the FSSC, introducing experienced talents is an important means to promote the construction of the FSSC. The injection of professional talents also brings more ideas and creativity to the company or the group, leading the rapid development of the sharing center with the most cutting-edge ideas. And their existing experience can help company avoid detour in the process of construction and development, and reduces the waste of resources. It also makes the financial management more intelligent and efficient based on the development of the FSSC (Liu, 2019).

5.4. Strengthen the Information Platform Construction

1) Financial System Integration and Technology Update

FSSC needs computer management and information construction support. Therefore, it is necessary to use a financial system that is suitable for the financial characteristics of enterprises and meets the financial needs in real time. Technological advances make data input easier, reduce error rates. At the same time, data induction and processing can be improved. Mean well, the waste of human resources is reduced, so that accountants can concentrate on data analysis and dig deeper information through data. When introducing the FSSC, enterprises should keep pace with the times, update the required technical support, reduce the memory load of accountants and high-frequency repetitive work, and maximize the use of resources.

Use the convergence system. Enterprise should figure out their own characteristics to purchase or develop industry fiscal integration system. The system enables financial department to be connected effectively with their financial counterparts by means of standard unified basic data, the whole processing risk control of funds, dynamic optimal allocation of resources, market monitoring, internal pricing multidimensional business financial analysis. In this way, financial management informationization can be enhanced greatly.

2) Office System Reform

The update of telecommuting system makes it more convenient for employees to obtain information and deal with affairs timely, which provides great convenience for information office, saves labor and time cost, and makes the time and place of office more flexible and free to a large extent. It also provides more stringent protection for all kinds of files. Cloud storage of files is also a important way to save and download resources (Zhang, 2019).

6. Conclusion

When establishing and developing the FSSC, enterprises should combine their

own characteristics and predecessors' experiences to avoid risks, constantly improve and clarify the role of the FSSC in enterprises. They also need to pay attention to publicity of reformation and personnel training, and strengthen information construction so as to achieve the goal of establishing a FSSC for enterprises and promote the transformation of enterprise financial management.

A obvious drawback of this paper is lack of quantitative analysis and data support, which can make the paper more objective and persuasion.

FSSC is the integration of traditional financial processing methods and emerging technologies. It is an important financial management mode for large enterprises to adapt to globalization and sharing economy. It can improve the financial operation efficiency of enterprises and reduce the waste of human resources, thus reducing the operating costs of enterprises. In the future, more enterprises will choose to set up FSSC. With the development of science and technology, it is believed that the potential problems of establishing a financial sharing center will be solved by better scientific and technological means

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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