

Inspiration from the Construction of ZTE FSSC

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Abstract: Since 2005, FSSC has been expanding at an annual rate of more than 25% worldwide and has formed an emerging market of more than \$2 billion. Therefore, it is of great practical significance to explore the enlightenment of enterprise FSSC construction. Through literature reading and in-depth study of ZTE FSSC, this paper summarizes its characteristic solutions in the construction process, integration of industry, finance and taxation, talent strategy, management system and other aspects. It draws crucial enlightenment with technology application and human resource management as important starting points.

Keywords: ZTE; FSSC; Revelation

1. Overview of FSSC

Miskon (2010) proposed that a financial sharing center refers to an independent internal organization that organically integrates daily business with financial data and makes different sharing plans according to different customers^[1]. It aims to solve the problem of “Big Corporate Disease” in large group companies. According to the transaction cost theory, FSSC simplifies the transaction contract and reduces the system cost, thus reducing the transaction cost^[2]. According to the core competence theory, the new technology covers repetitive work, enabling the finance personnel to focus more on value creation. In line with process reengineering theory, finance transforms from financial standardization to digitalization^[3] and finally realizes management optimization and value enhancement^[4].

2. Case introduction

ZTE is the world’s leading provider of comprehensive communications and information solutions. With 18 R&D institutes and 107 branches worldwide, the group provides wireless, wired, business, terminal products and professional communication services to more than 500 operators in 140 countries.

With the continuous expansion of enterprise-scale and business scope, the complex organizational structure and numerous financial branches make the cost of financial management too high. Lack of timeliness, accuracy, and relevance of financial information is not conducive to the whole group’s sustainable development and the realization of strategic objectives. To this end, ZTE established FSSC in 2005. After financial unified, centralized and sharing three phases, the FSSC established “procurement-pay, orders-receipts, accounting-statements” financial operation system, optimized the organizational structure and management process, improved the financial information integration system, strengthened the enterprise internal control and capital turnover, and implemented the financial processing efficiency increased by 50%, enterprise operating costs by 50%, employee satisfaction rose to 90% from 25%^[5].

3. Revelation

As a pioneer in China's financial sharing, ZTE is worth other efforts to build FSSC.

3.1 Take advantage of cost advantages to reduce initial costs

When preparing to establish the financial sharing center, the initial cost is mainly the cost of information system technology, human resources cost and the cost of the center's dependency address.

Therefore, based on its situation, ZTE designed a set of financial information processing systems with multiple accounting systems, multiple field configurations and multiple reporting levels based on the original Oracle ERP system, and integrated it with the business system decision-making system to achieve networking. The integration of the system has laid a foundation for centralizing financial personnel and the sharing of services^[6]. Generally, labor cost and address cost vary significantly with different regions, and labor cost and land rent in first-tier cities are often higher. After the pilot operation in Nanjing and the initial construction in Shenzhen, ZTE FSSC moved from Shenzhen to Xi'an in 2008 to further expand its talent and cost advantages, significantly reducing its management and rental costs.

In the initial stage of constructing FSSC, enterprises should establish a sound financial information system to activate the financial processing process, select the address and establish the human resource organization structure from the perspective of balancing efficiency and cost.

3.2 Integrate emerging technologies and gradually build FSSC

The development process of FSSC is divided into the initial establishment, promotion stability, maturity, and excellence phases. In the initial period, the sharing business gradually converged, the coverage of business process and information system was low, and the operation and management were immature. In the phase of promoting stability, it standardizes the process and gradually improves the information system, and the operation management tools operate well; in the mature stage, the process and information system are continuously optimized and expanded, and management systematized. In the excellence period, it realizes intelligent management and financial digitalization.

In the initial period, after unifying the accounting information and data interfaces of its branches and subsidiaries, ZTE established a new financial system characterized by a centralized network and conducted a pilot project in Nanjing Research Institute. During the period of improvement and stability, ZTE FSSC covered all branches and subsidiaries in China, introduced systems such as image and bar code, transformed financial accounting into assembly line mode^[6], and made management more sophisticated. In the mature period, ZTE established the global FSSC, formed the "financial cloud" service^[7] and developed into a natural profit center.

To adapt to the changing external environment and provide high-value services for the enterprise, managers must design FSSC construction planning according to the enterprise's actual situation and financial strategy, fully integrate cloud, AI, and other new technologies to achieve bottleneck breakthrough and upgrade and transform.

3.3 Promote the integration of industry, finance, and taxation to reduce tax risks

Because of the separation of business and finance, the tax risk becomes a thorny issue.

To this end, ZTE focuses on building the trinity of industry, finance and taxation. In terms of personnel, through strengthening the two-way communication among financial personnel, business departments, and tax authorities, we can effectively understand the tax policies and business treatment methods in different regions, to strive for more significant tax incentives and reduce the opportunity cost of enterprises. In terms of technology, ZTE has developed a set of convenient, compliant, and effective sharing systems for tax certification, declaration, and management. Among them, the input invoice certification system meets the needs of enterprise input invoice certification, deduction, statistics, and so on in a one-stop-shop; the output invoice management system eliminates the repetitive work in the invoice process, realizes automatic invoicing, data generation and tax adjustment; invoice pool conducts centralized management of all types of invoices to assist the enterprise business decisions.

FSSC should strengthen contact with local tax bursting from both personnel and technology, adopt complementary treatment according to each place's tax policy requirements, improve the accuracy and standard of tax-related business

treatment, and make full use of different tax preferential policies.

3.4 Give full play to the value of the platform and build a talent center

Although FSSC saves the workforce, the requirements for financial personnel are more stringent. Enterprises no longer need “Mr. Offices” to only make an account, but the high-end compound talents with the ability of finance, internal control and digitization. FSSC, as an enterprise essential business processing and data center, should also play a unique role in skills training.

To this end, ZTE FSSC has implemented an active talent strategy. Firstly, three promotion modes of technical training, business guidance, and management channel have been established^[8] to create professional, business, and management talents. Simultaneously, through job rotation, extended work and project methods, it promotes team turnover, expands experience, and encourages deep participation and self-enhancement in different stages of the process.

The construction of enterprise FSSC should make full use of the idea of integrating industry and finance to cultivate talents, devote to improving the cognition of financial personnel on the whole value chain and reserve abundant cross-border skills for the talent team.

3.5 Two-way assessment of business and finance, to overcome the style of the government

The concentration-effect of sharing center makes too much financial personnel gradually part from the actual company, only realizing the “share” without substantial service^[9]. A long separation of business and finance will lead to severe organ style and formalism, which not only causes the quality and efficiency of business processing to decline but also makes the enterprise business department and the finance department split. This runs counter to the original intention of the financial sharing center.

For this reason, ZTE began to implement the bidirectional assessment mechanism of business and financial matrix^[10]. The financial department has 50% of the decision-making power, determines the final compensation benefits through two-way appraisal of the business department and the finance department, exempts and evaluates according to the professional degree and operation proficiency. It has really developed the awareness of the integration of industry and finance of employees and effectively solved the problem of style.

Enterprises should encourage employees to learn business through regular financial assessment, strengthen the integration of theory and practice and promote the financial industry’s internal development with external forces to complete “sharing” and ensure service quality.

3.6 Innovate performance management to stimulate employees’ potential

The work of FSSC is monotonous, and there is often a lack of an effective evaluation system at the beginning of its establishment. Employees’ enthusiasm and work efficiency are low, so FSSC does not play an important role.

For this reason, based on the theory of a balanced scorecard, ZTE FSSC creatively establishes the incentive mechanism of KPI, sets up the standard single amount of business processing and the floating salary level without cap on the top. For the management backbone, ZTE enhances the elimination rate while strengthening job training and creates a competitive atmosphere. The backbone employees can improve their awareness of adversity and constantly improve themselves before eliminating the mechanism.

Financial management development needs to go through four forms of accounting type, strategy type, management type and strategic support type in turn. The establishment of sharing center is only the first link of the transformation to strategy. Only by reducing the staff’s complex accounting workload can they invest more energy and time in the thinking and analysis of enterprise value chain and strategic level, and give full play to their initiative, and realize employees’ value.

4. Conclusion

ZTE practice shows that digital technology and human resource management are the core of FSSC construction. The construction of FSSC is a process of orderly integrating new technologies and management methods and continuously upgrading financial management. Every round of digital transformation will reshape the whole process of FSSC and the role of financial personnel. Only by forming the double helix progress of technology and talents can FSSC improve enterprises' efficiency and quality.

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