

# Research on the application of financial sharing service in internal supply chain cost management -- taking Haier as an example

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**Abstract.** Under the background of big data, the traditional financial management model has been unable to meet the development needs of enterprises, and many enterprises have begun to build financial sharing service centers. Taking Haier as an example, this paper discusses the operation of Haier Financial sharing Service Center from four aspects: organizational structure, personnel management, process reengineering and information system. Haier financial sharing service has achieved remarkable results and benefits, but there are still some shortcomings.

**Keywords:** Supply chain; Financial sharing center; Cost management.

## 1. Introduction

The construction of financial sharing service center can not only strengthen the timeliness and reliability of internal financial information acquisition, but also reduce costs and improve efficiency. Due to the blurring of enterprise boundaries, the competition between enterprises has gradually transformed into the competition of supply chain, and the cost control of supply chain has become the top priority of each enterprise. This paper explores the practical application of financial sharing service in enterprises from the perspective of supply chain.

## 2. Internal supply chain management under Haier's financial shared services

### 2.1. Company Overview

Founded in 1984 in Qingdao, China, Haier is engaged in the manufacturing of home appliances and the R&D, manufacturing and sales of smart home solutions. Since its establishment, it has been awarded the world's leading brand of large household appliances for more than ten consecutive years. Haier Group attaches great importance to the network layout and information layout of operation channels. In 2019, the company developed the Haier Smart Home APP, Haier Smart Home Experience Center, and the Internet of Clothing Experience Center, which displayed the life scene of Haier's smart home to customers, users and business partners in an all-round way through online clients and offline physical experience stores, conveying a real and visible sense of smart home experience.

### 2.2. Problems in the internal supply chain in front of the financial shared service facility

#### 2.2.1. Insufficient resource allocation capacity

There is a lack of a centralized management platform for the financial data of all links and departments, which cannot provide data support for business development. As a result, it is difficult for the managers of Haier Group to understand the supply, marketing and inventory of each link in the internal supply chain of each branch and subsidiary in the first time, and it is impossible to achieve unified resource allocation, resulting in inaccurate resource allocation in relevant links of Haier Group's internal supply chain, and the lag of information contributes to the increase of various costs.

### **2.2.2. Inefficient management of current accounts**

Due to the large number of product lines in Haier Group, the organizational structure is relatively complex, and there are many links to deal with business, which takes a long time. The collection and payment time of different product lines is not fixed, and the financial personnel process each payment one by one, which has more repetitive work, resulting in low work efficiency of employees, increasing operating costs, and easy to produce the problem of capital precipitation. This increases the cost of carrying funds. Due to the scattered management, some receivables and payables that are about to expire cannot be managed in a unified manner, which is easy to cause overdue payments; It is also not good to make good use of those funds that still have a long time to mature for commercial credit financing.

### **2.2.3. Working capital management is relatively loose**

In the capital control of enterprises, the concept of "cash is king" is often emphasized, and the control level of cash is the key point to dominate the survival of enterprises. Before the financial sharing service was launched, there were some problems in the working capital management of enterprises.

First, the enterprise still manages funds by projects and elements. With the continuous expansion of the business, the capital demand of the enterprise is also increasing. Under the previous management mode, the operation process is not continuous enough to play the integration role of the platform. The management of working capital is easily separated from the operation of the business, and the optimal allocation of funds cannot be realized, which affects the utilization efficiency of funds and leads to the increase of the holding cost and shortage cost of funds.

Second, under the decentralized management mode, it is also not conducive to the overall budget management of enterprises, resulting in the improvement of fund management risks.

## **3. The construction of Haier Group's financial shared service center**

Financial sharing service-related organization is an independent operation of a business processing unit, which can essentially innovate the financial function structure and financial management procedures to achieve financial data summary accounting and unified management of financial and accounting business, to provide high-quality financial and accounting services for customers in need of financial sharing services is the primary function of financial sharing center. Haier Group's financial sharing connects cost control, fund settlement, purchase and sales receipt and payment, accounting statements, performance analysis and other links on the cloud platform, and can deal with financial related activities in internal supply in a unified manner.

### **3.1. Determine the organizational structure**

The relevant organization of Haier's financial sharing is divided into two parts: the accounting platform and the capital platform. At present, Haier Group's accounting platform has included eight sections: quality supervision and management, audit expenditure, verification of assets, settlement of accounts, issuance of statements, preservation of tax receipts and vouchers, control of payment of payments, and submission of taxes. The capital platform includes three main parts: risk control, operation and financing, among which customer integrity management, employee expense reimbursement and review, purchase goods verification, asset control, sales revenue recognition, capital planning and other functions can be used for internal supply chain control.

### **3.2. Carry out process construction**

The relevant units of Haier's financial shared services have optimized the design of the financial and accounting task processing process, focusing on improving the six important links of six major transactions, general ledger, fixed assets, expense budget control and capital control. Three key nodes have been established: first, take the order as the center in advance, first confirm the order, clarify the

hard standards and related requirements for order acceptance, understand the settlement process, improve the processing efficiency of the order, and at the same time control the budget in advance to generate a budget for costs; The second is to realize information sharing in the process of internal supply chain and other aspects of business, and customers who need financial sharing information can share financial accounting and business information synchronously when business occurs, so that each link is well related, and timely adjust procurement, production and sales volume according to the development of business; Third, the business is automatically recorded after completion, which simplifies the business settlement procedure and improves the speed of expense settlement.

### **3.3. Carry out the construction of information systems**

In the process of building financial sharing related institutions, Haier Group has developed a cloud operation platform on the basis of network technology, setting the same specification in the system, and the same type of transactions are standardized and informatized in the process of financial and accounting calculation, thereby improving the quality of data and information, and also making financial sharing, and the platform can be linked with other task processing platforms to provide financial and accounting services for the business platform. The standardization of information standards reduces the difficulty of conveying business and financial information and ensures the accuracy of information processing.

### **3.4. Carry out process construction**

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## **4. The effectiveness of using financial shared services in internal supply chain management costs**

### **4.1. Determine the organizational structure**

The help brought by Haier's financial sharing center to the procurement process is mainly reflected in the exchange center and asset center. On the one hand it can be based on good business credit. In the procurement process, you can pay less advance payment to reduce the cost of capital occupation of procurement: on the other hand, you can use the asset center of the financial sharing center to establish an asset management system, from procurement to use, depreciation, clean-up, disposal in the asset center collection and processing, can timely replenish inventory, reduce the cost of out-of-stock, and through the idea of comprehensive budget management, rational allocation of resources, to maintain the stability of demand and supply. After the completion of the procurement operation, verify the purchase invoices provided by suppliers inside and outside the group, and review various procurement contracts to reduce the risk of prepayment.

**Table 1.** Indicators of achievement related to the procurement chain.

Year	Days of turnover of accounts payable	Ratio of prepayments to current assets
2018	120.76	1.01%
2019	91.53	0.93%
2020	90.43	0.67%
2021	93.91	0.69%
2022	96.46	0.68%

#### 4.2. Warehousing management efficiency and cost

In 2018, the percentage of inventory to production was 10.48%, and in 2022, the proportion rose to 21.35%. It shows that there is a certain backlog in the manufacturing and sales process of the enterprise. This will lead to an increase in storage costs, and at the same time, there is a greater risk of inventory price decline, resulting in an increase in the inventory price loss rate. Affected by the increase in the proportion of inventory, the number of inventory turnover days also continued to rise.

**Table 2.** Storage link related performance indicators.

Year	Days of inventory turnover	Raw materials as a percentage of inventories	Raw materials as a percentage of inventories
2018	44.86	18.00%	77.89%
2019	52.15	14.81%	84.34%
2020	60.19	13.60%	82.23%
2021	62.1	10.86%	88.26%
2022	64.66	10.51%	88.09%

#### 4.3. related management fees and costs

When Haier's financial shared services entered the mature period, the proportion of management expenses and financial expenses remained stable and decreased slightly, but the ratio of related management expenses to assets did not further decline, because the proportion of sales expenses showed an upward trend and increased rapidly. Most of Haier Group's sales expenses are composed of salaries and salaries of sales personnel, freight expenses of goods, storage costs of goods, advertising and marketing expenses, and after-sales expenses. Affected by the backlog of goods and poor circulation, the transportation cost and storage cost in the sales process have increased, which in turn has led to an increase in sales expenses.

### 5. Optimization suggestions for Haier's supply chain cost management under the financial sharing model

#### 5.1. Deficiencies and their causes

##### 5.1.1. The number of inventory turnover days has increased rapidly

The rapid rise in inventory turnover days is mainly caused by the backlog of inventory goods, the insufficient matching between the amount of purchased materials and the demand for production, and the insufficient matching between the production volume and the market demand. Haier's financial sharing center is more about the control of financial processing processes, and the process reengineering of business processing is not in place. There is a disconnect between supply, production and sales, because the docking of supply and sales systems is not matched enough, which causes financial sharing to not fully serve all links from procurement to production and marketing.

##### 5.1.2. The turnover efficiency of inventory commodities is low

In terms of inventory goods, the low turnover efficiency of inventory goods is caused by the backlog of goods, and at the same time, due to the large number of sales channels, it is also easy to lead to the backlog of goods in the hands of multi-level dealers, and the flow is slow. Another problem

that causes the low turnover efficiency of inventory goods is the lack of logistics efficiency, Haier Group's financial sharing services do not involve logistics, and relevant sales data cannot provide information support for logistics distribution. Haier's logistics and distribution platform is also relatively simple, mainly using self-operated logistics, and less use of external vehicles and external logistics, resulting in limited logistics speed.

### **5.1.3. The cost of related expenses is relatively high**

Haier's financial sharing services do not include the relevant content of cost control, and cost management is not included in the shared process, resulting in the allocation of costs is not in place, which also leads to the relatively low proportion of Haier Group's sales costs, and the proportion of period expenses is relatively high, because part of the period expenses are not reasonably allocated to the costs, and can only exist in the form of period expenses.

## **5.2. Optimization suggestions**

### **5.2.1. Add a vendor negotiation platform to the financial sharing platform**

In the procurement part, we should pay more attention to the maintenance of the relationship with suppliers, and maintain a good cooperative relationship with suppliers can improve the ability of forecasting and regulating the future demand of enterprises, so that the procurement plan of enterprises is more accurate. Haier Group uses collaborative management channels to connect its business with suppliers. Employees of Haier Group can log on to the platform and post purchasing plans. Suppliers can register as suppliers of Haier on the platform, check the procurement requirements shown in the system at any time, and bid according to the needs, and Haier Group will select the appropriate suppliers according to the information provided by the suppliers. After the order is determined, employees can log in to the system to check the status of all orders, and timely revision according to the company's needs and suppliers.

### **5.2.2. Add a sales management platform to the financial sharing platform**

The current sales management of Haier Group uses Jushanghui platform, which covers all the order management of dealers and customers and can realize online purchase, sale and accounting, playing the role of "three reductions". The so-called "three reductions" includes product reduction. Through Jushanghui platform, Haier Group can see customer needs. For some products that are not favored by the market, we can reduce production and reduce unnecessary inventory. The second is to reduce the process, the company can send the products in the factory to retailers and customers at all levels through direct distribution, which will eliminate the intermediate process and middlemen, and then promote the direct docking of resources. The third is to reduce personnel, through the Internet to reduce grass-roots sales staff.

### **5.2.3. Integrate cost management into the financial sharing platform**

In terms of expense management during the period, Haier's financial sharing center has set up an expense center, which has improved the quality and efficiency of audit through the establishment of the expense item verification and reimbursement system and document management. The implementation of employee credit management has more effectively promoted the standardized reimbursement; the introduction of electronic cost of work effect Kanban has triggered the initiative and innovation of employees in various departments. Although this improved the efficiency of expense review and reimbursement, it did not fundamentally reduce the period cost. At the same time, cost management is an important part of internal supply chain management, in order to ensure the accuracy and reliability of cost figures, it is necessary to closely fit the business in the calculation process. Therefore, a cost management platform can be built in the financial sharing center, including cost planning, cost calculation, cost analysis, cost control and evaluation, and final decision, etc., and resource and activity driver analysis can be carried out according to each link of the internal supply chain to enhance the accuracy of cost allocation.

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