

Strategies for Small and Medium-sized Enterprises Coping with Financial Sharing Centers

Jing Zhao, Lijuan Liu

Yunnan Vocational Institute of Energy Technology, Qujing, Yunnan, China

Abstract. In order to quickly integrate the scattered financial information of small and medium-sized enterprises, and establish a financial sharing center suitable for small and medium-sized enterprises, the enterprise R is taken as the case analysis object. Through comparative analysis and investigation of the current situation of financial sharing application in small and medium-sized enterprises, the theory and practice of financial sharing service is taken as the starting point for research. In view of small and medium-sized enterprises to cope with financial sharing problems, countermeasures are put forward. The results show that due to the influence of traditional financial management, the income of small and medium-sized enterprises grows slowly and their losses remain high. The application of emerging technology cloud technology can be combined to develop the financial sharing center model. According to the characteristics of the industry, outsourcing services can be selected to realize the transformation of traditional financial management mode to new management mode. Centralized processing and unified management of decentralized business are carried out. The utility of enterprise resources is maximized to achieve the lowest cost to bring the greatest benefits. Therefore, small and medium-sized enterprises can also realize the establishment of financial sharing center and improve their core competitiveness according to coping strategies.

Keywords: Small and medium-sized enterprises; Financial sharing; Financial management; The cloud; Strategy.

1. Introduction

With the continuous development of social economy, the number of small and medium-sized enterprises (SMEs) is increasing day by day, occupying a very important position in the national economic structure, and the operation and development of enterprises have been valued by the country and the society [1]. However, due to the small scale, financing difficulties and relatively low level of informatization of SMEs, their survival and development are limited [2]. The traditional financial management mode not only has the problem of more personnel, lower cost and efficiency, but also has the problem of information system advanced but isolated. How to efficiently sort out the scattered financial information of the enterprise, so as to ensure the enterprise to make decisions quickly and improve the efficiency of financial management, has become a major obstacle to enterprise management and management.

With the rise of cloud computing technology and big data, financial sharing came into being. As a new management mode, after more than ten years of development, it's more and more applied to the financial management of large enterprises. Many large financial sharing service centers at home and abroad have developed more advanced models to effectively solve the financial problems caused by the expansion of enterprise scale. However, shared services are still an unfamiliar channel for a large number of small and medium-sized enterprises [3]. Therefore, shared service is an important tool to help enterprises improve their internal organization and external competitiveness. It is very necessary to apply it to enterprises.

The suggestions and comments on the transition of financial management in small and medium-sized enterprises, responding to the financial shared services mode are proposed to offers a new approach for the development of the enterprise and choice, according to the operation status of small and medium-sized enterprises and the application status of financial sharing mode in China, and the transformation experience and methods of R enterprises from traditional financial management mode to sharing center mode.

2. Methodology

2.1 Operating Status of Small and Medium-sized Enterprises

As an indispensable and important force in China's national economy, small and medium-sized enterprises are more and more valued by the country and become an indispensable fundamental force in promoting social stability. According to the national bureau of statistics, by the end of 2018, there were 369,000 small and medium-sized enterprises, 64.94 million fewer than at the end of 2017, and there was the first negative growth since 2011. In 2018, the main operating revenue of small and medium-sized enterprises reached 57.9 trillion yuan, accounting for 56.7% of the main operating revenue of enterprises above the designated size, up 8.4% year-on-year, 0.9 percentage points lower than that of the previous year. According to figure 1, in recent years, the growth rate of operating income of SMEs has slowed down significantly.

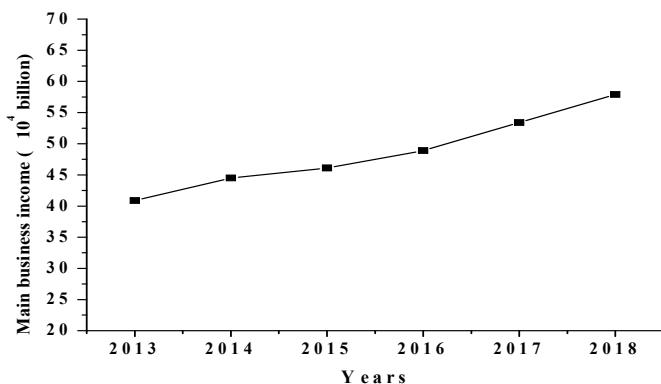


Figure 1. China's small and medium-sized enterprises main business income from 2013~2018

At the same time, the income cost of the main business of small and medium-sized enterprises has decreased. However, in 2018, the losses of SMEs totaled 530.23 billion yuan, up 15.2 percent year on year. Figure 2 shows that the losses of SMEs remain high in recent years.

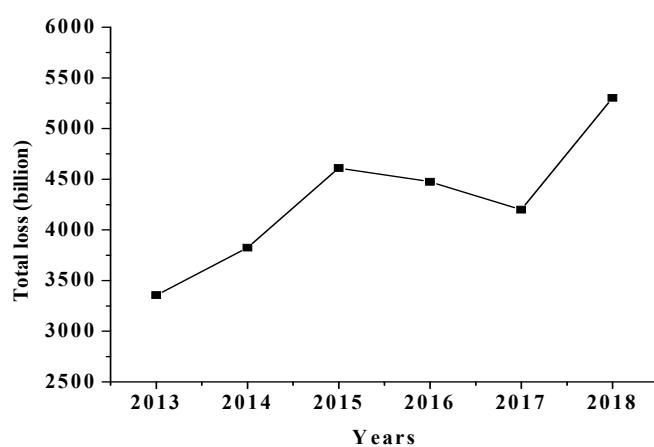


Figure 2. China's small and medium-sized industry total loss from 2013~2018

2.2 Application Status of Financial Sharing Center Model

The financial sharing model was introduced into China in 2005 and has been transferred from the embryonic stage to the pilot stage by 2013. After continuous exploration, until today, the state strongly encourages and supports the financial sharing model, and Chinese enterprises begin to pay full attention to and build the sharing service center. With the change and update of technology, enterprises have the idea to apply financial sharing services to the development of their own

enterprises. According to the analysis of 2017 FSSC survey report, enterprises that have built sharing centers account for 54.76%, enterprises that plan to build sharing centers account for 42.86%, and enterprises that do not plan to build share centers account for 2.38% [4]. Financial sharing center model is not only suitable for the business of large enterprises with many branches. With the gradual maturity of financial service sharing, it's applicable to some small and medium-sized enterprises.

2.3 Financial Sharing Model Application Case Analysis

The R enterprise is a typical traditional textile and clothing industry in China, and its main business is the development, production, retail and distribution of leather shoes and leather goods [5]. It has the enterprise main brand, under which there are various seed brands. Multi-brand operation has become the main operating mode of the company. Since the company went public, it shows in figure 3 that the company's management expenses have been growing year by year, and the growth rate even showed negative growth in 2013. The financial management mode of R enterprise is complex and backward. With the expansion of business, the enterprise's financial management model has problems. It is imperative to establish a new reform model. Therefore, R enterprise began to actively build a financial sharing service center according to its own characteristics to promote the standardization process of the enterprise [6].

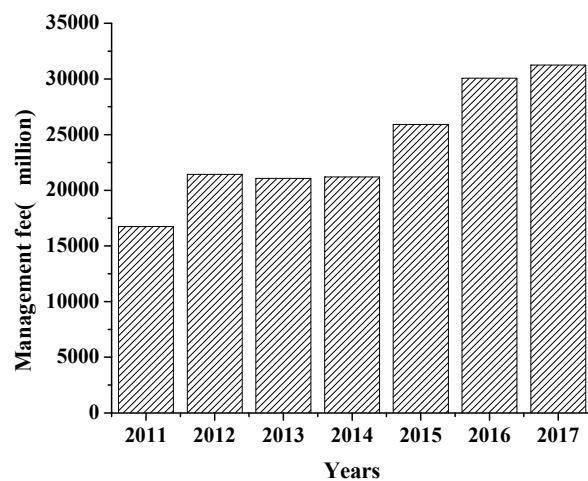


Figure 3. Annual overheads of the R enterprise from 2011~2017

Firstly, a complete financial sharing center service structure is set up. Before the reform of R enterprise, there was an independent financial department in each business unit. Today, companies centralize all the basic day-to-day business, whether it is the source or processing of data, in one financial service center [7], which strengthens R enterprise's management and control ability. R enterprise's sharing service center is respectively responsible for daily account reporting, special account reporting and financial sharing expansion, which is shown in figure 4.

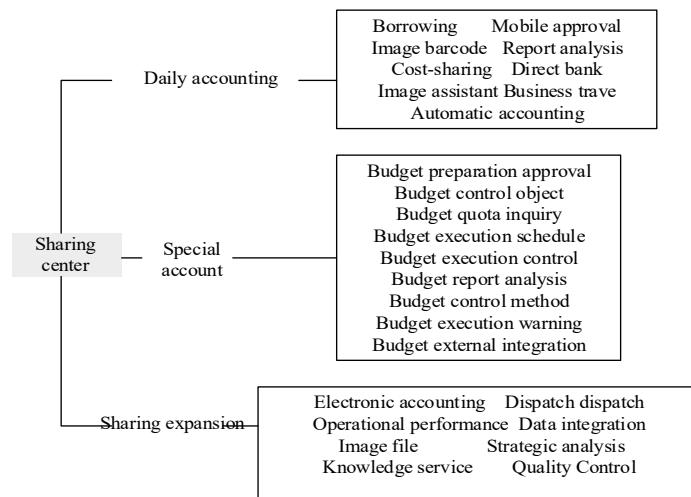


Figure 4. Three modules of sharing service center of the R enterprise

Secondly, after R enterprise introduced financial software, with the continuous expansion of enterprise scale, EPR system came into being, and ERP system became a core system of financial sharing center of R enterprise [8]. The construction of ERP system enables the transmission data in the platform to be completed in the system, strengthens the informatization construction of the enterprise, realizes the sharing of internal data of the enterprise, and provides strong data support and decision-making basis for the financial sharing service center of the enterprise.

Thirdly, scientific and effective operational performance platform. In order to closely link enterprise strategy with performance appraisal and improve the complete coordination relationship between each independent post and the entire sharing service system, R enterprise has developed the management model of operational performance platform, which is the target platform, guidance platform, assessment platform and incentive platform respectively. First, the headquarters proposes the strategic objectives, according to which each part of the company formulates its own corresponding action objectives and responsibilities. Second, the objectives and responsibilities of these departments go into the operational performance platform. At this time, each platform plays a role [9]. Among them, the target platform is to decompose the target through communication and discussion between superiors and subordinates, and develop a performance plan suitable for the department and individual and strictly implement it. The guidance platform is for leaders to timely follow up the work progress of employees and provide guidance and correction in the implementation process [10]. Assessment platform is to evaluate and feedback employees' work achievements from various aspects by applying a set of assessment standards applicable to the company under the strategic objectives of the enterprise. Incentive platform is based on the assessment results of employees to timely give employees the corresponding rewards or adjust the position of employees again on the job training. The coordination of the four operational performance platforms greatly enhanced the efficient operation of R company's financial sharing service center.

3. Results and Discussion

3.1 Construction of Financial Sharing Service Platform based on Cloud Technology

At present, the financial sharing service project costs a lot. For many small and medium-sized enterprises, it is a major obstacle to financial transformation. It is necessary to realize financial sharing service mode and reduce enterprise cost. The biggest advantage of cloud-based financial sharing platforms is that they can be operated anywhere without having to buy expensive service machines. Daily financial operations need only be performed through a service terminal or a computer. Small

and medium-sized enterprises need to expand business and financial transformation of the investment cost of the problem Financial sharing of cloud technology is provided by the financial sharing service center of the service provider oriented to the enterprise through the SaaS model to provide online cloud system support and services, such as free upgrade and maintenance services. Service providers are more focused on product research and development, upgrade and system maintenance [11]. For enterprises whose projects are not centralized and whose branches are in different places, they can be used as long as they are connected to the Internet to realize financial sharing. The financial sharing service platform under the cloud computing mode largely meets the needs of small and medium-sized enterprises in mobile office.

3.2 Defining of the Financial Strategic Objectives of Smes from the Perspective of Financial Sharing

The clear strategic goal is the backbone and soul of the whole financial sharing center, and it is the premise and guarantee for enterprises to effectively carry out financial management activities. Therefore, small and medium-sized enterprises should make clear the long-term management objectives of enterprises from the perspective of sharing. After the introduction of Shared financial management model, compared with the traditional financial model, the following changes will occur. Firstly, repetitive work in the previous work is replaced, which improves the efficiency of financial management and greatly saves the cost of financial management. Secondly, the application of confidence technology in management makes financial work more standardized, streamlined and standardized. Through the financial sharing center established by big data and cloud computing, managers can conduct data analysis according to the report, effectively integrate resources, judge the environment, and operating conditions of enterprises, and optimize business processes. The financial management objectives and strategic objectives that are suitable for the long-term development of the company need to be defined to realize the sustainable development of the enterprise. The strategic positioning of financial shared service center mainly includes the selection of strategic objectives, construction of strategic structure and planning of strategic functions, serving the long-term development of the enterprise, as shown in figure 5.

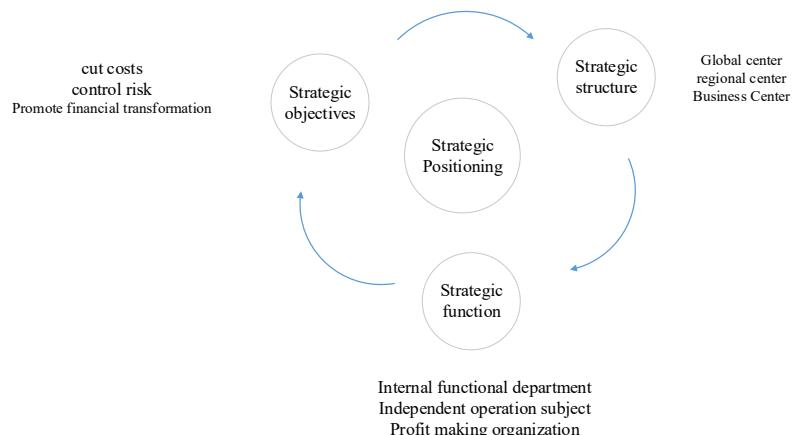


Figure 5. Strategic positioning of financial shared service center

3.3 Standardization of the Financial Management System and Reasonable Management of Authority

Due to their small size and flexible management, most SMEs do not have a strict financial management system. The excessive concentration of financial management authority on the management level leads to the lack of rules to follow in the implementation of the enterprise and the inability to mobilize the enthusiasm of the financial management personnel, which is not conducive to the efficient development of the enterprise's financial management and affects the sustainable and healthy development of small and medium-sized enterprises. Therefore, under the financial sharing

mode, the enterprise leadership needs to formulate reasonable and strict rules and regulations according to the characteristics of the company to ensure the smooth development of financial management and improve the efficiency of business processing. Under the sharing mode, the responsibilities and authority of financial personnel should be redistributed, the responsibilities of the posts should be clearly defined, and the professional expertise of financial management personnel should be given full play to make financial sharing better create value for the enterprise.

3.4 Accelerating of the Informatization and Networking of the Financial System

With the extensive application of cloud technology by large enterprises, due to the backward views of small and medium-sized enterprises, unimpeded access to information and capital pressure and other restrictions, they cannot effectively carry out financial management. On the road of transforming the financial system of small and medium-sized enterprises, informatization and networking have become the indispensable link of financial sharing mode. Whether it is to build an information system or to connect the enterprise's financial content and Shared services to deal with centrally, this series of operations are inseparable from the network, information hardware platform. Therefore, small and medium-sized enterprises must be under the impact of the trend of the times, the establishment of information and network operating system. On this basis, enterprises should also pay attention to employee training, stimulate the potential of employees, encourage self-learning, and actively prepare for updated and iterative financial data management.

3.5 Improvement of the Employee Incentive System

Building a financial sharing model is both an opportunity and a challenge for the enterprise and a broader opportunity and platform for employees. Therefore, different incentive measures should be taken for employees in different positions and stages of construction of financial sharing center to improve the incentive mechanism of employees from material and spiritual aspects. In the initial, middle and mature stages of the sharing mode, different incentive methods should be formulated according to different stages. The incentives should be flexible and avoid being stuck in a rut. As an enterprise, it is needed to pay attention to create a good working environment to relieve the pressure and tension of employees. Close attention needs to be paid to the needs and development of each employee, and material or spiritual help should be given to employees' life. Enterprises should let employees feel a sense of belonging and identity in the company, and help employees to realize their own value.

4. Conclusion

By analyzing the status quo of small and medium-sized enterprises and sharing model, the economic income of small and medium-sized enterprises is slow. With the increasingly mature sharing model, financial sharing center is no longer only applicable to large enterprises. As long as each business under multiple branches of an enterprise has a separate financial management, financial sharing service model can be implemented. According to the case analysis of R enterprise, the strategy of small and medium-sized enterprises to cope with financial sharing under the new situation is revealed. The key problem is how to use the sharing platform to improve financial work efficiency. Therefore, enterprises should speed up the enterprise financial system information and network. Combined with their own enterprise, the shared center system of their own development need be established or financial outsourcing services be purchased. The establishment of the financial management system of small and medium-sized enterprises and the perfection of the incentive mechanism of employees are also indispensable. The establishment of the sharing center provides a new way and choice for the financial management of small and medium-sized enterprises. The development of financial sharing service in China is still in a state of intermingled, and it needs further exploration and improvement in the application.

References

- [1]. Franscesco T, Benedetta N, Fabio I, et al. Removing obstacles to the implementation of LCA among SMEs: A collective strategy for exploiting recycled wool. *Journal of Cleaner Production*, 2017, 156, pp. 923-931.
- [2]. Raza B, Dr A, Naveed, Muhammad, Anwar, Farooq, et al. Linking distinctive management competencies to SMEs' growth decisions. *Studies in Economics and Finance*, 2017, 34(3), pp. 302-330.
- [3]. Michael S. Strategies for responding to RAC requests electronically. *Healthcare financial management: journal of the Healthcare Financial Management Association*, 2012, 66(4), pp. 46-8.
- [4]. Lajis, Siti M. Risk-Sharing Securities: Accelerating Finance for SMEs. *Islamic Economic Studies*, 2017, 25(2), pp. 22-28.
- [5]. Franscesco T, Benedetta N, Fabio I, et al. Removing obstacles to the implementation of LCA among SMEs: A collective strategy for exploiting recycled wool. *Journal of Cleaner Production*, 2017, 156(10), pp. 923-931.
- [6]. Lajis, Siti M. Risk-Sharing Securities: Accelerating Finance for SMEs. *Islamic Economic Studies*, 2017, 25(2), pp. 22-28.
- [7]. Lucato, Wagner C, Costa, Elpidio M, de Oliveira Neto, Geraldo C, et al. The environmental performance of SMEs in the Brazilian textile industry and the relationship with their financial performance. *Journal of Environmental Management*, 2017, 203(1), pp. 550-556.
- [8]. Nirmalendunath G. Strategies for Formulating Financial Stability Criterion to Face Challenge of Uncertainties into Energy Sector. *Flexible Strategies in VUCA Markets*, 2018, pp. 177-186.
- [9]. Wang S, Lu Y, Sanders, Barbara. Optimal investment strategies and intergenerational risk sharing for target benefit pension plans. *Insurance: Mathematics and Economics*, 2018, 80, pp. 1-14.
- [10]. Randhir R. Exploring Social CRM for development of SMEs in Mauritius. *Journal of Enterprising Culture*, 2019, 27(1), pp. 93-109.
- [11]. Dee J, Beth H. The North Carolina State Health Plan for Teachers and State Employees: Strategies in Creating Financial Stability While Improving Member Health. *N C Med J*, 2018, 79(1) pp. 56-61.