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Original Paper

Financial Shared Service Center Construction in Retail Enterprises under Digital Transformation

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Abstract

Against the backdrop of the rapid development of the digital economy, retail enterprises are facing increasingly fierce market competition. To achieve high-quality development, retail enterprises must undergo digital transformation, and the construction of a financial shared service center (FSSC) has become a crucial initiative to drive this transformation. This paper analyzes the practical significance of constructing an FSSC in retail enterprises, explores the existing issues during the construction process, and proposes optimization strategies.

Keywords

digital transformation, retail enterprises, financial shared service center

1. Introduction

Against the backdrop of the digital economy era, the retail industry, as an important component of the real economy, is undergoing a profound transformation. It is moving from traditional business models towards a new era of digitalization and intelligentization, with digital transformation having become an inevitable trend for the high-quality development of retail enterprises. In the process of digital transformation, retail enterprises need to utilize information technologies such as cloud computing, big data, the Internet of Things, artificial intelligence, and blockchain to collect and process data.Therefore, retail enterprises need to build financial shared service centers to achieve financial data sharing and business-finance integration, and use intelligent technologies to analyze and process data, thereby providing effective references for the enterprise's production, operation, and management decision-making.

2. Overview of Digital Transformation and Financial Shared Service Centers

2.1 Overview of Digital Transformation

Although scholars worldwide have not yet reached a unified definition of digital transformation, they have conducted in-depth discussions and explanations. Yao Qian posits that the essence of digital transformation lies in building digital capabilities as the core, utilizing digital technologies to digitally reshape and transform business processes, service models, operational methods, organizational forms, and management norms, thereby achieving cost reduction, efficiency enhancement, and innovative development through technological empowerment.

Wang Changbin et al. argue that the digital transformation of retail enterprises essentially involves reorganizing the resource elements of people, goods, and venues through digital technology means, optimizing and upgrading products, services, and management, ultimately leading to various transformations such as business format evolution, model innovation, and supply chain integration. Zhang Yansong et al. believe that digital transformation is the process of leveraging combinations of emerging digital technologies to reconstruct internal management and innovation models within enterprises, becoming a key strategic choice for sustainable development. Yang Liwei suggests that the essence of enterprise digital transformation is the application of emerging information technologies to reconstruct processes, corporate culture, technology, business, and organization, thereby achieving cost reduction, efficiency enhancement, and improving overall competitiveness.

2.2 Overview of Financial Shared Service Centers

A financial shared service center (FSSC) is an organizational structure that centralizes financial functions from different departments within an enterprise for management and service. Its core lies in optimizing the enterprise’s organizational structure and workflow, as well as centralizing and standardizing financial operations. Currently, the development direction of FSSCs is reflected in two aspects: on the one hand, enterprises construct FSSCs internally, synchronizing financial processes between parent and subsidiary companies, and centralizing financial operations dispersed in different regions; on the other hand, leveraging internet technology to build FSSCs that aggregate numerous professional financial personnel, enabling enterprises to flexibly select suitable financial personnel based on business needs. For retail enterprises, after uniformly collecting and processing financial data, the FSSC can provide high-quality financial data for leadership, thereby supporting operational decision-making.

Additionally, the FSSC can screen out highly repetitive financial tasks and establish unified processing standards, effectively alleviating the workload of financial personnel, saving time, enhancing efficiency, reducing labor costs, and ultimately improving the economic benefits of retail enterprises.

3. Significance of Constructing Financial Shared Service Centers in Retail Enterprises

3.1 Reducing Operational Costs and Improving Overall Efficiency

The fundamental purpose of constructing an FSSC in retail enterprises is to reduce costs.

By establishing an FSSC, enterprises can centrally process highly repetitive tasks across various business units, avoiding the investment of identical financial resources. Furthermore, after the FSSC is established, retail enterprises achieve standardization of policies, procedures, and quality standards, as well as unification in financial processing criteria and scales. Centralized processing of basic financial work effectively integrates business activities dispersed in different regions. This model of centralized processing and standardized workflows avoids redundant labor, reduces unnecessary resource consumption, brings cost-effectiveness, and improves the overall efficiency of retail enterprises.

By coordinating resources and optimizing business processing workflows, the FSSC can reduce operational costs.

3.2 Promoting Core Business Development and Optimizing Resource Allocation

The core value of the FSSC lies in promoting process optimization and decision adjustment through in-depth analysis of financial data, thereby driving business growth.

On the one hand, by integrating online and offline member consumption data, analyzing customer repurchase rates and shopping preferences, and quickly identifying bestsellers and slow-moving items, the FSSC facilitates precision marketing for core businesses in retail enterprises, dynamically adjusting strategies, and accelerating inventory turnover.

On the other hand, by analyzing store sales per square foot and staffing allocations, the FSSC can promptly adjust allocation plans, increasing staff in high-sales-per-square-foot stores, reducing store size in low-efficiency stores, increasing manpower during peak sales hours, and decreasing it during off-peak hours.

Through analysis, decision-making, execution, and feedback, the FSSC enables retail enterprises to achieve rational resource allocation and cost savings.

3.3 Supporting Operational Decision-Making

Firstly, through centralized data processing, the FSSC can integrate financial data from all stores, e-commerce platforms, and supply chains, monitoring key indicators in different regions in real-time, promptly identifying trends, and making corresponding strategic adjustments.

Secondly, retail enterprises encompass numerous sub-fields with complex and diverse businesses.

Through precise division, the FSSC promotes more efficient division of labor and collaboration, enabling each module to deepen management within its professional domain, thereby effectively enhancing overall financial management quality.

The precise division of key business processes such as procurement and sales by the FSSC facilitates automated expense analysis and dynamic budget management in retail enterprises, thereby adjusting corresponding promotional strategies.

Finally, the FSSC can assist retail enterprises in analyzing historical data such as initial investments and local consumption levels, establishing profitability models, and monitoring store break-even points in real-time, adjusting operational strategies for unprofitable stores.

4. Issues in Constructing Financial Shared Service Centers in Retail Enterprises under Digital Transformation

4.1 High Initial Investment and Low Returns in FSSC Construction

During the initial phase of constructing an FSSC, retail enterprises inevitably adopt high-tech solutions, incurring significant implementation costs for technological and human resource investments to transition from traditional financial models to new financial shared models. In terms of technological investment, retail enterprises need to develop or purchase new information systems, including financial management software and server hardware.

Additionally, if enterprises aim to create personalized FSSCs based on their actual development needs, they must also cover costs for custom system development and interface integration. As the FSSC is constructed, stores or office spaces require corresponding renovations, such as upgrading office hardware and infrastructure. In terms of human resource investment, to enable employees to adapt promptly to changes in work content, retail enterprises need to form professional technical teams or hire external professionals to train internal staff. However, employees may struggle to master new digital tools within a short period, necessitating further recruitment. The subsequent maintenance of the FSSC also incurs costs. These upfront investments exceed the budgets of many small and medium-sized retail enterprises, with significant initial outlays and low returns, making it difficult to improve economic benefits in the short term. To facilitate the transition to the new financial model and ensure the FSSC meets basic functions such as scanning, verifying, transmitting, and archiving original documents, some retail enterprises may overinvest without prior financial budgeting, leading to software system expenditures exceeding their affordable range and hindering business operations and development.

4.2 Mismatch Between Business Process Design and Financial Processing

Firstly, there is a disconnect between business process design and actual operations, with barriers between leadership and employees. FSSC staff are primarily responsible for actual operations but do not participate in business process design, leading to a mismatch between process design and the operational habits of corresponding positions, i.e., a separation between business process design and actual financial processing.

This separation can make it difficult for financial personnel to provide feedback on complex business process issues to leadership, delaying problem resolution and reducing business processing efficiency, which is detrimental to financial management and normal operations in retail enterprises. Secondly, the process system is inadequate. FSSC financial personnel conduct core financial work online, and any issues in a particular link can slow down the entire system’s efficiency. Simultaneously, the financial data analyzed by the information system may not accurately reflect the enterprise's financial status. If financial personnel are unfamiliar with various business situations and overly rely on the information system for data processing, errors or improper data handling in a system link, if undetected by financial personnel, can easily lead to inaccuracies in corporate accounting information, affecting overall business efficiency and even causing unnecessary losses to the enterprise.

4.3 Financial Personnel Management Issues

After constructing an FSSC, retail enterprises encounter a series of financial personnel allocation issues.

On the one hand, as business processes become standardized, unified, and regulated, many original financial tasks are replaced by systems, necessitating the reallocation of financial personnel's work. This affects the enterprise's overall management system. Retail enterprises require comprehensive talents with both financial knowledge and information technology skills to take over the work. This not only imposes new requirements on existing financial personnel but also necessitates that retail enterprises establish corresponding job evaluation mechanisms in advance and regularly organize professional skills training to prevent large-scale personnel changes in the short term from disrupting normal operations. Whether hiring new financial personnel, training existing ones, or laying off staff incurs significant costs for the enterprise. On the other hand, due to the standardized and unified nature of the FSSC, much of the work is highly repetitive and overly simplistic. Compared to traditional business processing tasks, monotonous work can lead to a low sense of professional identity among financial personnel, fostering boredom and even prompting them to leave over time. Simultaneously, an uneven distribution of workload among financial personnel and a failure to allocate personnel based on task difficulty can lead to imbalanced resource allocation, wasting human resources, affecting business efficiency, and hindering daily operations.

5. Optimization Strategies for Financial Shared Service Centers in Retail Enterprises under Digital Transformation

5.1 Adopting New Technological Means in Phases to Reduce Upfront Investment

Firstly, to address the issue of high technological and human resource investments in the initial phase of FSSC construction, retail enterprises should adopt a phased, gradual approach to constructing the FSSC. Sufficient financial support is crucial during the FSSC construction process, necessitating reasonable financial budgeting to prevent overspending. Therefore, retail enterprises need to invest funds in phases and construct the FSSC gradually based on a reasonable financial budget. During the initial phase of FSSC construction, retail enterprises can first establish core functional modules such as expense reimbursement and accounts receivable/payable management. After the FSSC operates stably, they can gradually add other functionalities based on enterprise development. Secondly, retail enterprises can adopt new technologies to save costs. For instance, they can prioritize using the SaaS cloud service model, where they only need to access the client to use it directly, reducing upfront hardware procurement and maintenance costs. Additionally, retail enterprises can analyze their financial status, industry environment, strategic objectives, and other aspects based on their actual development, purchase functional modules on demand, allocate resources reasonably, and utilize existing infrastructure to avoid redundant FSSC construction. Finally, retail enterprises should innovate talent cultivation mechanisms, primarily focusing on cultivating internal personnel supplemented by external recruitment. They can also introduce RPA and other automated tools to replace repetitive tasks, reducing significant personnel reallocations and unnecessary human resource investments. Simultaneously, enterprises need to retain internal and external talents as much as possible by implementing corresponding talent reward systems to promote their better contribution to enterprise development.

5.2 Deepening Business-Finance Integration and Establishing an Internal Control System

In the context of digital transformation, the construction of a retail enterprise's FSSC should focus on business-finance integration, strengthening collaboration between business and finance departments. Firstly, to ensure alignment between business process design and financial processing, retail enterprises can invite relevant financial and business personnel to participate in process design discussions during the business process design phase, allowing frontline employees to share their practical experiences and encountered issues. This ensures that business process design fully takes into account the operational habits and actual needs of various positions.

Retail enterprises can use questionnaires to collect employee feedback or regularly conduct business process review meetings to deeply understand the operational habits of various positions, identify redundant or unreasonable process designs, and adjust and optimize them promptly to ensure that the FSSC's functional design meets actual needs. Secondly, retail enterprises need to establish problem reporting channels, enabling staff at all levels to report issues promptly to higher levels, facilitating timely problem resolution. Thirdly, to further deepen business-finance integration, retail enterprises should conduct business-finance integration training to enhance collaboration awareness among different positions and construct a visual analysis platform for the FSSC to intuitively display the correlation between financial and business operations. This allows financial and business personnel to gain a deeper understanding of each other's workflows, breaking down the information barriers between traditional business and finance models, reducing manual operation errors, shortening business processing cycles, and improving work efficiency. It also enables retail enterprises to quickly acquire market information and customer needs, promptly adjusting product structures and sales strategies to enhance their competitiveness. Finally, retail enterprises can strengthen internal auditing and inspection mechanisms, establishing a dynamically updated internal control system to ensure that the FSSC truly serves the efficient operation of business processes.

5.3 Optimizing Job Management and Improving Human Resource Allocation

In terms of job management, retail enterprises should establish a digital transformation capability framework for each position in advance, providing composite talent training for existing financial personnel to help them acquire new skills, learning both business and financial knowledge, to adapt to new job requirements. Simultaneously, they can implement regular cross-departmental and job rotation systems to further strengthen business-finance integration. Retail enterprises should also improve job evaluation mechanisms, clarifying job responsibilities and evaluation indicators for each position. Simultaneously, they should plan personnel allocations reasonably to avoid large-scale changes in the short term, ensuring normal enterprise operations. When recruiting new financial personnel, they should focus on selecting comprehensive talents with both financial knowledge and information technology skills. For personnel unable to adapt to new positions, they should carefully consider reassignment or layoff while controlling related costs. In terms of human resource allocation, to enhance financial personnel's sense of professional identity, retail enterprises should innovate incentive mechanisms, establishing a multi-dimensional performance evaluation system based on cost control, quality management, and efficiency improvement according to job responsibility differences. To address the issue of low job identity among employees, they can encourage job innovation and implement corresponding incentive policies. They can also open job transfer application channels to enhance employees' identification with corporate culture, improve work enthusiasm, and boost work efficiency. Simultaneously, they should optimize work task allocation mechanisms, distributing work tasks reasonably based on business volume and difficulty to avoid imbalanced human resource allocation, thereby improving employee work enthusiasm and satisfaction and driving continuous optimization of the FSSC platform.

6. Conclusion

In conclusion, with the rapid development of the digital economy, constructing an FSSC in retail enterprises has become a crucial path for achieving digital transformation.

In the future, to adapt to the market economic environment and improve enterprise management efficiency, retail enterprises must recognize the advantages of FSSC construction while preventing and mitigating potential issues and risks to fully leverage the maximum potential of the FSSC and provide stronger financial support for the high-quality development of retail enterprises, better adapting to the development needs of the digital economy era.

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