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Research on the Implementation Effect of ZTE's Industry-Finance Integration under the Financial Sharing Model

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Abstract: *In the context of rapid development of digitalization, enterprises are facing an increasing number of uncertain factors, leading to an urgent need for reform of their traditional financial management models. In this situation, enterprises begin to focus on optimizing their financial management and how to promote financial transformation. The promotion and application of big data have provided entry points for these enterprises, and more and more companies are beginning to use information network platforms to build financial sharing platforms. Information technology requires a certain degree of integration and development between business and finance for enterprises, so developing business finance integration on the basis of financial sharing has become an increasingly popular choice for more and more enterprises. The article takes ZTE Corporation as an example to study its implementation effect of business finance integration under the financial sharing model, providing reference for the development of other enterprises.*

Keywords: *Financial Sharing Model; ZTE Corporation; Integration of Business and Finance; Implementation Effect*

1. Introduction

Entering the era of digital economy, the deep integration of information technology and financial work is redefining financial value, and financial management is facing new opportunities and challenges. On December 6, 2013, the Ministry of Finance issued the "Accounting Informatization Work Specification for Enterprises" in the form of Finance and Accounting [2013] No. 20. Article 34 stipulates that "large enterprises and enterprise groups with a large number of branches and subsidiaries and wide distribution shall explore the use of information technology to promote the concentration of accounting work and gradually establish financial shared service centers." In 2015, the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China first mentioned the concept of sharing economy, and the concept of shared services by means of informatization is an important support for the future sharing economy in the service field. [1] The emergence of the sharing economy has brought challenges and changes to the traditional financial management model of enterprises. [2] Under the financial sharing, the focus of the work of corporate financial personnel has changed, and financial personnel have gradually shifted from financial accounting under the traditional financial management mode to financial management functions. In addition, the financial function of enterprises is also expanding outward, gradually integrating with the business, and the decision-making of corporate financial information is increasingly dependent on the information of non-financial departments. At this time, the integration of industry and finance under the financial sharing model has become an important practice in the process of exploring the modernization of financial management for many enterprises, which plays a very key role in the management of the entire enterprise and is conducive to improving the overall operation level of the enterprise.

2. The implementation status of ZTE's industry-finance integration

2.1 Introduction to ZTE Corporation

ZTE is the world's leading provider of integrated communication solutions. The company provides

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innovative technology and product solutions for telecom operators in more than 140 countries and regions around the world. Founded in 1985 and listed in Hong Kong and Shenzhen, the company is the largest listed company in China's communications equipment. ZTE is one of the first batch of communication equipment manufacturing industry in China to implement the "going out" strategy, and launched the internationalization strategy in 1995, which is the benchmark enterprise of China's communication manufacturing industry to "go global".

2.2 ZTE's motivation for implementing financial sharing

From the Figure 1, we can see that ZTE adopted a decentralized financial model, and each branch and subsidiary set up a complete financial institution in the early days, which was efficient and simple in the early stage of development. However, with the expansion of the company's scale and business diversification, problems gradually emerged as shown in Figure 2: the scale of financial personnel is huge, the cost is high, and due to the differences in financial standards and business content in different places, the mobility is poor, resulting in a waste of resources; The accounting methods and standards of each segment are different, which increases the difficulty of financial accounting, and it is difficult for the group to fully control the financial situation, and the control is weak; A large number of financial personnel are engaged in repetitive and tedious basic accounting work, which makes it difficult to play the functions of financial forecasting, analysis and management; [3] With the expansion of business scale, especially overseas business expansion, time differences, language, distance, and differences in domestic and foreign policies and laws have led to dull management, and the existing financial model can no longer meet the development needs.

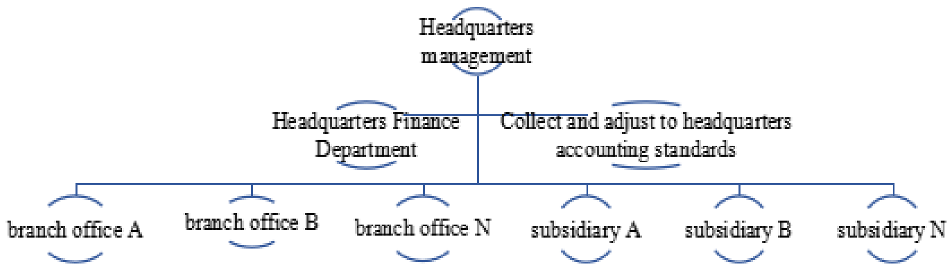

Figure 1 ZTE's decentralized management model

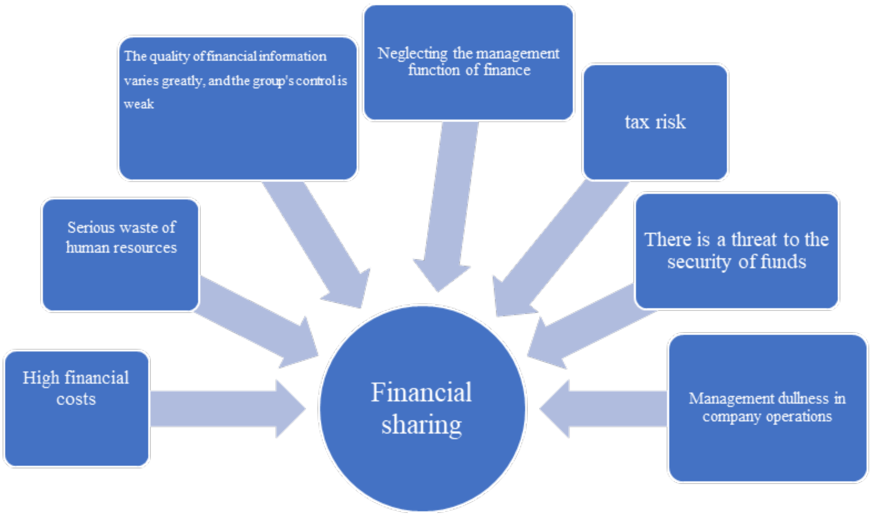

Figure 2 ZTE's financial sharing drivers

2.3 ZTE's history of implementing financial sharing

Since 1999, ZTE has embarked on the journey of financial informatization and established the first batch of network reimbursement systems, laying the foundation for the follow-up shared service management informatization system. Since then, the company has continuously upgraded the reimbursement system, introduced the ERP system in 2001, and integrated the revenue accounting system in 2003 to pave the way for the construction of the financial sharing center. In 2004, the network

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reimbursement system added a bank-enterprise interconnection module to achieve efficient and centralized fund management. In the second half of 2005, ZTE took the lead in setting up a financial shared service center in the data division and product division to implement standardized management and improve the standardization and efficiency of financial management. In 2006, the company successfully realized the comprehensive centralization of financial data, and in 2008, the financial sharing center was relocated to Xi'an, and the financial management level reached a new level. [4] By 2013, ZTE launched the International SSC project, aiming to establish a global financial sharing service platform. In recent years, the company has deepened the digital transformation of financial sharing with the help of Industry 4.0 technology, which not only improves the efficiency of financial management, but also provides strong support for the global development of the enterprise.

2.4 The motivation of ZTE's financial integration

After the establishment of the financial sharing center, although the efficiency of financial processing has been improved, its utility is mainly limited to the financial system, and the impact on the business and operation of the enterprise is limited. Due to the relative independence of finance and business departments, there is a disconnect between business and finance, which increases financial, tax, operational and other risks, and at the same time, problems such as internal control imbalance and unreasonable performance appraisal are becoming increasingly prominent. In addition, the implementation of financial sharing does not give full play to the management and accounting functions of financial personnel, and financial personnel are less involved in business decision-making and product production planning. For example, in 2016, when the communications industry changed dramatically, ZTE's product backlog and unsalable products led to huge losses, indicating that financial sharing alone could not meet its development needs. In addition, when the financial sharing center was established, only partial adjustments were made to the positions, resulting in overlapping responsibilities, waste of resources, and low financial processing speed. If the integration of industry and finance is realized, it is necessary to set up positions at each business value-added point according to the value reengineering theory, which is more in line with the development needs of large groups such as ZTE. Therefore, ZTE needs to further promote the integration of industry and finance to give full play to the effectiveness of the financial sharing center.

2.5 ZTE's financial sharing model is the stage of integration of industry and finance

By building an integrated financial information system, ZTE has realized the effective docking of the financial shared service center with the basic information system, business system and decision support system, and promoted the real-time sharing and efficient communication of business and financial information. [5] The financial sharing model not only strengthens the real-time monitoring and management of the financial status of the Group's subsidiaries, but also improves the ability to identify and control the value-added links of the business, ensuring the effective implementation of the strategy. On this basis, the division of labor of financial personnel is clear, some focus on basic accounting, and the other part turns to management accounting and participates in business decision-making, forming a good financial and business collaboration mechanism. This shows that financial sharing is not only the optimization of accounting resources, but also the bridge between finance and business integration at the strategic level of enterprises, and the integration of industry and finance further improves the efficiency and quality, and gives full play to the value management function of the financial sharing model.

3. Analysis of the implementation effect of ZTE's industry-finance integration under the financial sharing model

3.1 Financial effect analysis

3.1.1 Profitability

As can be seen from the Table 1, ZTE's two major profitability indicators continued to rise from 2006 to 2010, because it established a financial sharing platform in 2005, indicating that the establishment of a financial sharing platform is effective. However, in the following years, the two indicators have declined significantly, especially in 2012, mainly due to the fact that it adopted an aggressive strategy in 2012 and failed to correctly predict the changes in the industry, resulting in large losses. In addition to the loss of the financial crisis in 2018, its profitability is relatively good, mainly because the integration of industry and finance makes the communication between various departments closer, and the business

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department can get financial information more conveniently, and can also see the impact of business conditions on financial information more intuitively.

Table 1 ZTE's financial indicators from 2004 to 2023

Year	Profitability(%)		Solvency		Ability to grow(%)		Percentage of expenses	
	Net profit margin on sales	Operating margin	liquidity ratio	Debt-to-asset ratio	Growth rate of operating income	Net profit growth rate	Management expenses as a percentage of revenue	Selling expenses as a percentage of revenue
2004	5.33	5.21	1.86	53.77	41.54	43.28	4.3	12.3
2005	6.23	4.79	1.79	51.35	-4.94	18.38	5.1	14.8
2006	3.89	1.72	1.81	56.03	7.59	-35.78	4.7	14.1
2007	4.17	2.88	1.46	67.10	49.81	63.26	4.9	13.0
2008	4.32	2.81	1.42	70.15	27.36	32.59	4.9	12.2
2009	4.47	3.42	1.35	73.74	36.08	48.06	4.3	11.7
2010	4.95	3.69	1.36	70.34	16.58	32.22	3.5	12.5
2011	2.6	0.50	1.33	75.05	23.39	-36.62	2.8	12.7
2012	-3.09	-5.94	1.13	78.93	-2.36	-237.9	2.7	13.3
2013	1.91	-1.98	1.25	76.39	-10.56	147.79	2.9	13.3
2014	3.35	0.07	1.25	75.25	8.29	93.98	2.5	12.6
2015	3.73	0.32	1.39	65.27	22.97	21.81	2.4	11.8
2016	-1.39	1.15	1.23	71.13	1.04	-173.49	2.5	12.3
2017	4.95	6.21	1.24	68.48	7.49	293.78	2.8	11.1
2018	-8.13	-0.72	1.05	74.52	-21.41	-252.88	4.3	10.6
2019	6.37	8.32	1.19	73.12	6.11	173.71	5.3	8.7
2020	4.65	5.39	1.44	69.38	11.81	-17.25	4.9	7.5
2021	6.14	7.58	1.63	68.42	12.88	59.94	4.8	7.6
2022	6.34	7.15	1.76	67.09	7.36	18.60	4.3	7.5
2023	7.44	8.26	1.91	66.00	1.05	15.41	4.5	8.2

3.1.2 Solvency

It can be seen from the table that since 2004, with the construction of the financial sharing center, ZTE's current ratio has gradually decreased and stabilized at about 1, which shows that with the gradual deepening of the integration of industry and finance under the financial sharing model, its short-term solvency is relatively stable. Since the implementation of the financial sharing model, the asset-liability ratio has gradually risen with the advancement of the integration of industry and finance, maintaining more than 70%, and the change range is also small when the enterprise is expanding on a large scale, indicating that the integration of industry and finance under financial sharing has a certain role in stabilizing the asset-liability ratio.

3.1.3 Ability to grow

It can be seen from the table that after the implementation of financial sharing, ZTE's operating income and net profit have increased significantly with the deepening of the integration of industry and finance. The decline in individual revenues and net income was due to mistakes in strategic decisions and the impact of the financial crisis. Therefore, its promotion of the integration of industry and finance under the financial sharing mode has greatly promoted the development of enterprises.

Table 2 Comparison of ZTE's costs before and after financial integration

Time	Document processing cost (RMB/Order).	Number of basic business personnel (person)	Basic business processing cost ($m)
Before implementation	15.35	87	6.19
After implementation	4.34	43	2.96
Number of changes	11.01	44	3.23

First of all, the analysis of its expenses, from the Table 2 can be seen that the proportion of its management expenses and sales expenses in operating income is decreasing with the implementation of financial sharing and integration of business and finance, and only in a few special years due to large-scale expansion and environmental impact caused its expenses to increase. Analyzing the above table, after the establishment of its financial shared service center, the number of basic business personnel decreased from 87 to 43, indicating that ZTE has realized the sharing of human resources through financial sharing, thereby reducing labor costs such as recruitment and training.

At the same time, by using a unified financial management platform, the cost of basic business processing has also been significantly reduced, avoiding the cost of purchasing and maintaining financial

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systems separately for each subsidiary. In addition, the electronic use of image scanning technology has also resulted in a significant reduction in processing costs. In addition, ZTE's Financial Shared Service Center also reduces the cost of independent collection, collation and reporting of financial information by sharing the financial information of each subsidiary.

3.2 Boost productivity

From the Table 3 can be seen before ZTE established the financial sharing center, the document processing efficiency was very low, and the average number of transactions could only be processed per day [6]. And the error rate is as high as 5%, and the financial reimbursement time is also very long, taking more than 2 days on average. This seriously affects the financial efficiency of the enterprise and hinders the development of the enterprise. After the establishment of the financial sharing center, the financial cloud enables the financial information of different subsidiaries to be shared, and through centralized management and optimization of financial information, the efficiency has been greatly improved, and the error rate has also been reduced by 0.03%, making the financial work faster and more accurate. Financial reimbursement also takes only 2 hours. By using information systems, financial personnel can be freed from repetitive and boring work to do more valuable work, making employees feel more fulfilled.

Table 3 Comparison of ZTE's work efficiency before and after the implementation of industry-finance integration

Time	Document processing efficiency (hours)	Business processing capability (single/day)	Financial business processing cycle (days)	Financial business error rate (%)	Financial reimbursement duration
Before implementation	148.8	1300	2.8	5	2 days or longer
After implementation	72	2000	0.22	0.03	2 hours

4. Problems and challenges

4.1 Insufficient management capabilities for the integration of business and finance

ZTE has gradually promoted the integration of business and finance under the financial sharing model, although the information of business personnel and financial personnel has been exchanged, but the degree is not enough. Many financial personnel have shallow knowledge of business processes, and the financial information mastered by business personnel is relatively limited. In addition, the analysis methods and data modeling technologies adopted by ZTE in its financial system are still lagging behind, resulting in the incomplete and in-depth data analysis results, and the practical results of business and financial integration have not been fully demonstrated.

4.2 The performance appraisal system is incomplete

ZTE's performance management level is insufficient, and it has not changed the performance appraisal model after the transformation of its financial model, resulting in inconsistent performance appraisal plans and goals for each branch, which makes it inevitable that employees will be dissatisfied with the differences. In addition, the differentiation characteristics of ZTE's performance appraisal are not obvious, and the appraisal standards of different departments should be different to improve the enthusiasm of employees.

4.3 Insufficient information system integration capabilities

Although ZTE has improved its financial information processing efficiency and aggregation ability after changing its financial model, the system's ability to integrate information needs to be strengthened, and enterprises and employees should have the ability to screen and integrate information, otherwise the information obtained by the enterprise will increase but cannot have an effect on the development of the enterprise. In addition, the efficiency of the transmission and sharing of information in its information system also needs to be improved, so that the information transmission can be more timely. In addition, the financial part of the information system is divided into more details, with many modules and a large span, so the financial center should formulate special strategies and systems to break the barriers to the

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transmission of information by each unit. In addition, due to the lack of staff capacity and the need to adjust the system itself, it is not easy to meet the information needs of the management, the details of the report are not complete, and the interface is not simple enough, and it is urgent to improve it to play the role of the system.

5. Decisions and recommendations

5.1 Enhance the management ability of industry and finance integration

Employees should consciously learn and master the professional knowledge and professional skills of the core business, and learn to consult professionals or take the initiative to learn relevant courses in areas that they are not good at, so as to better apply the system to serve the enterprise. Employees should also actively and consciously participate in the management activities of the enterprise and follow the development of the enterprise. Enterprises should attract more outstanding talents and strengthen the training of old employees to meet the needs of industry and financial integration.

5.2 Improve the performance appraisal system

Enterprises should formulate a unified performance appraisal plan and objectives when designing the performance appraisal system, and the design should take into account that there are many branches, and the implementation of the performance appraisal system should be easy, different, and targeted. A special performance appraisal system should be set up for specific positions and employees according to the business type, difficulty, characteristics, etc., so that employees can face performance appraisal more actively. In addition, the improvement of performance appraisal should be aimed at adapting to financial transformation, and should be related to business content when setting, so as to promote the financial transformation of enterprises while deepening the integration of industry and finance.

5.3 Enhance enterprise information integration capabilities

Enterprises should carry out the deep integration of business processes and information exchange in both horizontal and vertical dimensions, so as to improve the speed and efficiency of information circulation and promote the deep integration of business and finance. In addition, it is necessary to adjust the hardware facilities, such as simplifying the operating system to reduce the difficulty of operation, and establishing a database with complete information and appropriate size to improve the convenience and efficiency of information integration. In addition, enterprises should set up special positions and recruit professionals to be responsible for information integration to provide accurate and timely information support for internal and external personnel. These measures help to strengthen the exchange of information within the enterprise, improve work efficiency, and optimize the process of information integration and utilization.

6. Conclusion

By analyzing the implementation effect of ZTE's financial sharing model, it can be learned that different enterprises should evaluate their own situation before the transformation of business and finance integration under financial sharing, grasp their own core characteristics and key points such as business characteristics, work priorities and organizational structure, and find a suitable financial transformation path. In addition, the integration of industry and finance under the financial sharing model also has certain drawbacks, such as the increase in various costs in the early stage of construction, the reduction of work efficiency, and the fact that employees are not suitable for the work mode, so enterprises should be prepared. In addition, when implementing the integration of business and finance under financial sharing, enterprises should be equipped with professional and experienced management personnel and improve the level and awareness of the original internal management personnel on this financial model, so that excellent management personnel can drive the transformation of the financial model of the enterprise, so that the financial transformation can create economic value for the enterprise faster and improve work efficiency.

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