

# PRACTICAL VALUE, CHALLENGES AND OPTIMIZATION PATH OF FINANCIAL SHARING CENTER IN THE CONTEXT OF FINANCIAL DIGITAL TRANSFORMATION

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**Abstract:** The author, through comprehensive research on the digital transformation practices of financial shared service centers (FSSC) in the digital economy, their challenges, and optimization measures, found that FSSC can help achieve financial efficiency improvements, cost reduction through financial effectiveness, data management empowerment, and support for corporate strategic decision-making. However, it also faces difficulties such as the lack of technical interfaces with existing systems, the inability to establish new institutional models, and mastering key capabilities in shared center data management while avoiding data security risks. By analyzing relevant literature and practical issues in enterprises, the author proposes optimization strategies for the transition of FSSC to cloud platforms, providing direction for the digitalization of enterprise financial management.

**Keywords:** Financial shared center; Digital transformation; Data governance; Cloud platform; Optimization path

## 1 INTRODUCTION

In the wave of digital economy and new productive forces, data elements have become one of the most important factors in the digital and intelligent transformation of enterprises. The finance department is the core data department of an enterprise, serving as its internal data hub and "brain nerve," with vast amounts of operational data and even data for management decisions; however, due to its functional positioning and corporate organizational model, it faces issues such as organizational fragmentation, separation of business and finance, and information silos, which result in the financial department's weaker contribution to the overall value of the enterprise in the digital wave. As an innovative financial management model, the financial shared service center is a critical component in building a world-class corporate financial management system. For enterprises, it is essential to recognize the strategic value of constructing a financial shared service center. This article discusses key issues in the current construction of financial shared service centers from three aspects: corporate digital transformation, challenges faced, and optimization paths, and provides a systematic solution for better advancing the digital and intelligent transformation of corporate finance for reference[1-3]. As an innovative financial management model, the financial shared service center (FSSC) is a critical component in building a world-class corporate financial management system. The FSSC integrates financial resources, improves business processes, and enhances service quality, thereby adding value to enterprises. In the digital economy era, the construction and optimization of the FSSC have become particularly important. By centralizing financial affairs, the FSSC avoids the waste of resources and communication costs caused by decentralized management, reduces operating costs, and enhances the market competitiveness of the enterprise[4-6].

## 2 PRACTICAL VALUE OF DIGITAL TRANSFORMATION OF FINANCIAL SHARING CENTER

### 2.1 Improve Financial Management Efficiency and Reduce Operating Costs

A financial shared service center can reduce the complexity of financial operations by automating processes and using intelligent invocation structures to lower financial management costs. Traditional financial management processes and systems are often developed based on fixed reports and procedures. However, due to the inability to customize these fixed programs to change report flows, they lack flexibility, making it difficult for financial staff to quickly adjust processes according to business and demand changes. The digital financial shared service center achieves centralized and standardized handling of financial accounting tasks through technologies such as Robotic Process Automation (RPA) and artificial intelligence. This enables the centralized implementation of financial accounting tasks like accounts payable, accounts receivable, general ledger, and fixed assets by the financial shared service center, enhancing both efficiency and accuracy in business processing. Practical experience shows that implementing a financial shared service center can optimize financial functions and reduce the number of financial personnel, standardize management processes, and lower corporate financial operating costs. This cost-saving advantage is particularly evident when the financial shared service center is located in new locations with low salaries and labor costs. The digital financial shared service center realizes the core financial capabilities of the enterprise through a "sharing + reuse" model, making financial business capabilities modular, standardized, and achieving economies of scale. In terms of efficiency improvement, the financial shared service center will promote standardized operations within each subsidiary,

eliminating redundant and cumbersome tasks, integrating financial functions, and enabling centralized analysis of financial data.

## **2.2 Enhance Data Governance Capabilities and Decision Support Functions**

Through the construction of information systems, the financial shared service center has gradually transformed from a traditional financial shared center into an enterprise data center, significantly enhancing the company's data governance capabilities. Under the traditional financial information model, financial data relying on physical storage and manual backups is at risk of loss, leakage, errors, and security vulnerabilities, severely limiting the efficiency of financial work. In contrast, a digital financial shared service center, by establishing a comprehensive data management system, ensures the integrity, accuracy, and consistency of financial data, providing effective data for corporate management decisions. The quality of data is the foundation of decision-making and also the basis for the implementation of financial shared services. All financial activities are realized with the support of data. Digital transformation constructs unified, standardized, and real-time data, enhancing the accuracy of financial analysis and the rationality of budget preparation, laying a theoretical foundation for corporate strategic decisions. At the same time, the digital financial shared service center improves data security mechanisms, ensuring that the company's financial data is not leaked or misused, reducing the possibility of core interests being compromised.

## **2.3 Promote the Integration of Business and Finance and Empower Enterprise Strategy**

The financial shared service center helps enterprises achieve true integration of business and finance. Under the traditional financial management model, there is a clear boundary between the finance department and the business department, often preventing the finance department from timely obtaining accurate and complete financial data. However, a digital financial shared service center can leverage technologies such as the Internet of Things and blockchain to achieve integration of business and finance. This means combining the company's business flow, cash flow, and information flow, integrating financial management activities with corporate development, thereby enhancing operational efficiency and service quality.

From the perspective of "integration of business and finance," achieving a digital financial shared service center can better serve operational decision-making and support business development goals. Timely and effective data sharing facilitates the financial shared service center in assisting business departments with timely and accurate financial analysis, meeting the company's needs to adapt to market changes. Additionally, a digital financial shared service center allows management to focus less on non-core financial matters and more on core operations, thereby enhancing the company's operational efficiency.

# **3 MAIN CHALLENGES FACED BY THE DIGITAL TRANSFORMATION OF FINANCIAL SHARING CENTER**

## **3.1 Technical Integration and System Compatibility**

The financial shared service center serves group enterprises, featuring not only comprehensive coordination and centralized control at headquarters but also the unique situation of each subsidiary operating independently. This poses a significant challenge for data integration across the entire enterprise group within information systems. In reality, many group enterprises' financial shared platforms fail to achieve seamless integration and interoperability with ERP systems, business management systems, and other platforms, leading to issues such as poor data communication and inflexible system integration. Additionally, the storage and security performance, as well as speed of the information platform, can also affect the effectiveness of the financial shared service center's functions.

For multinational corporate groups, the financial system data standards of subsidiaries in different regions vary, which objectively increases the technical difficulty of implementing a financial shared service center. Data silos weaken the ability to share and integrate financial data in real-time across systems, making it harder to fully realize the expected outcomes of digital transformation in finance. Moreover, the frequent updates of new technologies require the financial shared service center to have high technical update capabilities, imposing higher demands on the company's information infrastructure and personnel reserves.

## **3.2 Organizational Change and Employee Resistance to Adaptation**

Digital transformation means a "radical organizational restructuring" of financial systems. Traditional finance professionals have long been accustomed to decentralized, manual financial operations and face difficulties in adopting the new approach of systematic, centralized, automated, and intelligent financial shared centers. Research has found that during the transition from traditional financial management models to digital financial shared centers, less than 40% of issues stem from technical challenges, while most problems arise from changes in the mindset of finance personnel and shifts in organizational structure.

The establishment of a financial shared service center enables the realization of an integrated financial strategy within enterprises. The separation of financial accounting and management accounting processes, along with the transformation of financial personnel from mere bookkeepers to partners in business operations and value creators,

presents significant management challenges in the digital transformation of corporate finance. At the same time, the centralized financial shared service center model also alters the role positioning of financial departments within subsidiaries, potentially leading to conflicts such as re-balancing authority and organizational culture changes, which must be addressed through change management and communication strategies.

### **3.3 Data Security and Compliance Risks**

Finally, the data security and compliance risks of financial shared service centers, which hold massive amounts of data, have increased. Corporate financial information includes details about the company's finances, operations, and cash status. If such information is illegally disclosed or misused, it could result in incalculable asset losses and severely damage the company's reputation. Especially when international data is transferred, the financial shared service center must comply with data regulations in different countries and regions, such as the EU's General Data Protection Regulation (GDPR) and China's Personal Information Protection Law, making the compliance of digital transformation more complex.

The lack of a unified data management process, standards, quality assurance mechanisms, and access control procedures, or the inability to identify and define corporate data, can affect the quality of financial reports and decision-making due to issues such as data quality and data synchronization. The challenge of how to effectively address data risks presented in new scenarios like cloud computing and artificial intelligence also poses ongoing updates and transformations for financial shared service centers.

## **4 OPTIMIZATION PATH OF FINANCIAL SHARING CENTER**

### **4.1 Build a Cloud-Based Digital Platform to Upgrade the Technical Architecture**

In the context of new productive forces, data elements have become the most valuable production factors for enterprises after digital transformation. Financial shared service centers should actively explore paths to transition to cloud-based digital platforms, building elastic and scalable technical architectures through cloud computing technology. Cloud-based digital platforms can aggregate various financial data resources of the enterprise, expanding from accounting sharing to shared services across multiple domains, ultimately transforming into enterprise-level data centers.

The specific manifestations include: rearchitecting the existing financial shared service center application system into a microservices architecture, decoupling and flexibly assembling functional modules; introducing an AI-based data analysis engine to perform real-time computations on large volumes of financial data; setting up open API interfaces for relevant data to achieve seamless integration with external systems such as supply chains and sales markets.

### **4.2 Improve the Data Governance System and Release the Value of Data Elements**

Improving data governance capabilities is the primary direction for optimizing and transforming financial shared service centers. Companies should focus on data governance to establish a comprehensive governance framework covering data standards, data quality, data security, and data value. In terms of data standards, unify the coding, naming, and interface requirements of financial data to ensure consistency and coherence; in terms of data quality, establish a data quality assessment model and a data issue traceability system to quantify and continuously monitor data quality. In terms of data security,

The financial shared service center must establish multi-dimensional security safeguards: physical data protection, network-level security measures (including firewalls, anti-malware and vulnerability scanners, network intrusion detection systems), application-level access control and identity authentication, as well as data-level encryption and secure transmission. Additionally, it should develop a data classification and protection strategy for critical financial information to enhance the security of financial data.

### **4.3 Promote the Construction of Organizational Capacity and Cultivate Digital Financial Talents**

Organizational capability is a necessary guarantee for the optimization and transformation of financial shared service centers. The company can strengthen organizational capabilities in three aspects: First, optimize the organizational structure of the financial shared service center by setting up functional teams such as process management, data analysis, and technical support based on digital operation requirements, establishing a flexible and efficient organizational model; Second, establish a performance management mechanism that matches digital transformation, setting performance indicators related to data quality, process efficiency, and user experience; Third, build a data-driven corporate culture, advocating that employees form a work culture of "speaking with data, making decisions with data."

From the perspective of development direction, the financial shared service center should cultivate three types of digital finance talents: first, compound talents familiar with both finance and technology, who are solution experts responsible for designing and implementing digital finance solutions; second, financial data analysis experts, who are tasked with mining financial data and deriving insights; third, change management experts, who drive organizational and personnel changes during the digital transformation process.

### **4.4 Expand the Service Boundary and Build a Value-Creating Financial Sharing Center**

The future financial shared service center should not be content with providing the simplest financial services but should actively seek to expand its boundaries and become a value creation hub. First, it should extend upstream in the financial value chain, offering value-added services such as financial forecasting, financial risk management, and investment decision support. Second, it should expand into other shared business areas like human resources and procurement, forming a scale advantage through multi-functional sharing.

A more forward-looking exploration is to export the capabilities of the financial sharing center to the external market and create new profit growth points through commercial operation.

## 5 CONCLUSION AND DISCUSSION

This paper comprehensively explores the practical significance, opportunities, and challenges of financial shared service centers in the context of corporate financial digital transformation, as well as optimization recommendations. The conclusion points out that financial shared service centers can significantly enhance financial management levels, reduce financial management costs, improve data management capabilities, and support corporate strategic decision-making, making them an effective path to building world-class financial management systems. However, during their construction and transformation, they face challenges such as technological integration, organizational change, data management, and data security. Companies need to consider these aspects comprehensively from the perspectives of technical infrastructure, data architecture, organizational capability, and service model, and fully promote coordinated advancement[7-8].

Intelligent, platform-based, and ecosystem-oriented development will be the future trend for financial shared service centers. Under the conditions of technological innovation and application such as artificial intelligence and blockchain, these centers may evolve into more intelligent and platform-based systems. They will exhibit future accounting forms based on artificial intelligence and blockchain, as well as predictive analytics. Financial shared service centers will also transform from internal service functions to financial service platforms that link internal and external resources, thereby exerting greater leverage on the value of industrial ecosystems[9-10].

## COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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