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An Examination of the Impact of Financial Sharing on the Quality of Corporate Accounting Information in the Context of the Financial Shared Service Model

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Abstract

In the context of globalization intensification, enterprises face the challenge of managing increasingly complex business operations. This study aims to investigate how the financial shared services model, characterized by centralized processing and standardized operations, impacts the quality of corporate accounting information. By examining literature and conducting empirical data analysis, we explore how the model enhances the efficiency and accuracy of accounting information processing, strengthens enterprises' internal controls through increasing financial information transparency, and bolsters financial monitoring. Furthermore, we analyze how this model positively impacts decision support, aiding enterprises in making superior economic decisions. Despite the challenges in system compatibility and employee training during implementation, this study underscores the immense potential of the shared services model in optimizing accounting information systems, reinforcing internal controls, and improving decision support. The profound impact of this model on the quality of corporate accounting information underscores its value and the importance of its further research and application.

Keywords

Financial Shared Services Model, Accounting Information Quality, Internal Control, Decision Support, Globalization

1. Introduction

In the backdrop of globalization and informatization, enterprises are encountering increasingly complex and diversified business environments. In an effort to enhance efficiency, reduce costs, and boost competitiveness, more and more enterprises are seeking innovative organizational structures and operational modes. One of these principal forms of innovation is the financial shared service model (Shared Service Center, abbreviated as SSC). The financial shared service model is a novel organizational form that centralizes the financial functions within an enterprise into an independent organizational unit. This enables the standardization, proceduralization, and automation of financial services, thereby enhancing operational efficiency and reducing operating costs (Smith & Shil, 2018). The introduction of the financial shared service model has profound implications for the quality of accounting information within an enterprise. The quality of accounting information refers to the accuracy, completeness, timeliness, and reliability of the accounting information, which is the foundation of enterprise decision-making. However, questions regarding if and how the financial shared service model can enhance the quality of accounting information have sparked widespread attention in both academic and practical circles.

In recent years, numerous scholars have delved into these questions. For example, Janssen and Johansson found in their study that the financial shared service model can improve the accuracy and timeliness of accounting information through enhancing the standardization and automation of financial processes (Janssen & Johansson, 2018). By optimizing financial processes, shared service models can significantly increase the accuracy and timeliness of accounting information. Their study underscores the critical role of shared service models in elevating the transparency and precision of financial information (Li & Wang, 2021). Additionally, the research conducted by Patel and Davis revealed how corporations can bolster the efficiency and robustness of their internal controls by implementing shared service models. This approach promotes centralized financial processing and standardized operations. Their findings further corroborate the potential of shared service models to enhance the quality of accounting information (Patel & Davis, 2022). Similarly, a report by KPMG also pointed out that the financial shared service model can improve the completeness and reliability of accounting information through centralized and standardized financial processes (KPMG, 2020). On the other hand, a report by PWC argued that the financial shared service model might increase the complexity of accounting information, thereby affecting the quality of accounting information (PWC, 2021). These studies suggest that the impact of the financial shared service model on the quality of accounting information within an enterprise is a complex issue that warrants more in-depth and comprehensive exploration.

This study will delve into the impact of the financial shared service model on the quality of accounting information within an enterprise, based on previous research, empirical data, and case studies. We hope that through this study, we can provide some practical suggestions for enterprise financial management, and also offer some new insights for related theoretical research.

2. Theoretical Framework of the Financial Shared Service Model

2.1. Definition of the Financial Shared Service Model

The Financial Shared Service Model (SSC) is an innovative organizational approach that involves the centralization of finance and accounting functions into a single, autonomous unit (Bergeron, 2022). This model was developed as a response to the increasing complexity of managing finance and accounting operations across diverse business units, geographical locations, and different functional areas within an organization. In its essence, the SSC is a consolidation of resources that provides standardized, streamlined, and automated finance and accounting services to other internal units of the organization (Schulz & Brenner, 2021). More specifically, it embodies the pursuit of efficiency, cost-effectiveness, and enhanced control over financial operations. The SSC aims to eliminate redundancies, leverage economies of scale, improve service quality, and enable better decision-making through more accurate and timely financial information.

2.2. Types and Characteristics of the Financial Shared Service Model

The financial shared service model primarily takes two forms: In-house Shared Service Centers (SSCs) and Outsourced Shared Service Centers. In-house SSCs are usually established and managed by the organization itself, responsible for providing services to other business units within the organization. On the other hand, outsourced SSCs are managed by third-party vendors, providing services to one or multiple client organizations (Janssen & Joha, 2021).

The core characteristics of the financial shared service model can be summarized as follows:

1) Centralization: The financial shared service model improves work efficiency by centralizing finance and accounting functions into an independent organizational unit, thereby eliminating repetitive tasks.

2) Standardization: The financial shared service model emphasizes the standardization of processes and operations, enhancing the precision and consistency of financial management, facilitating management, and control.

3) Automation: The financial shared service model tends to adopt automated tools and technologies to reduce manual errors and increase processing speed, further improving efficiency.

4) Service-oriented: The financial shared service model is service-oriented, aiming to meet the needs of internal clients by providing high-quality services, thereby enhancing the business operations of the entire organization.

5) Economic benefits: The financial shared service model can maximize the benefits of economies of scale and scope, reduce operating costs, and improve the economic efficiency of financial management.

In summary, the goal of this model is to enhance the efficiency and effectiveness of financial operations through centralization, standardization, and automation, while meeting the needs of internal clients, ultimately driving value for the entire organization.

2.3. The Development Trend of the Financial Shared Service Model

The financial shared service model is continually evolving in line with technological advancements and changes in the business environment. A significant trend is digital transformation. With the emergence of technologies such as artificial intelligence (AI), robotic process automation (RPA), and blockchain, an increasing number of financial processes in shared service centers are being automated, reducing manual work and enhancing efficiency (DeFond & Zhang, 2014). These technologies not only automate repetitive tasks but also provide intelligent insights and analytics, bolstering decision-making capabilities (Schulz & Brenner, 2021).

Shared service centers are placing a growing emphasis on value-added services. Traditionally, SSCs have been transaction-oriented, focusing on routine tasks such as accounts payable and receivable. However, the trend is shifting towards the provision of more strategic, value-added services, such as financial planning and analysis, risk management, and strategic advisory. This change stems from organizations recognizing the potential of SSCs to contribute to strategic decision-making and business growth.

Globalization is another significant trend. More and more companies are establishing global shared service centers to serve various business units across different regions and time zones. This trend is driven by the benefits of economies of scale, access to a broader talent pool, and the ability to provide round-the-clock services.

Lastly, there is a growing trend towards adopting hybrid models that combine in-house and outsourced services. While in-house SSCs allow for greater control and integration, outsourced SSCs can leverage the expertise of third-party providers and deliver cost efficiencies. The hybrid model offers a balance, allowing organizations to leverage the strengths of both models based on their specific needs.

3. Analysis of Corporate Accounting Information Quality

In the preceding section, we delved into the concept and characteristics of the Financial Shared Services Model. Now, we shift our focus to the factors influencing the quality of corporate accounting information, specifically within the context of this model.

3.1. Definition of Corporate Accounting Information Quality

The essence of corporate accounting information quality lies in the accuracy, completeness, timeliness, and understandability of accounting information. Accuracy implies that accounting information must truthfully reflect the financial condition and operational results of a company, forming the foundation of accounting information quality (Ulbrich, Schulz, & Brenner, 2022). Completeness emphasizes that accounting information should not only contain partial information but include all details useful for decision-makers. Timeliness requires that accounting information be provided promptly when decision-makers need it, enabling them to make decisions based on the latest information. Lastly, understandability pertains to the presentation of accounting information, which needs to be expressed in a way that users can understand and utilize. These four attributes do not exist independently but influence each other. For example, an accounting report with complete information may contain a large amount of data, but if the expression is complex or difficult to understand, then the report's understandability will decrease, thus affecting the overall quality of the accounting information. Similarly, a timely accounting report, if its content is erroneous or incomplete, cannot be deemed as high-quality accounting information either (Gupta & Gupta, 2023).

Therefore, enhancing the quality of corporate accounting information requires a comprehensive improvement in these four characteristics: enhancing accuracy, ensuring completeness, improving timeliness, and increasing the understandability of accounting information. Only in this way can accounting information effectively support the decision-making process of a company, further improving its operational efficiency and competitive advantage.

3.2. Factors Affecting the Quality of Corporate Accounting Information

The quality of corporate accounting information is influenced by a variety of factors, including the internal governance structure of the company (Skaife, Veenman, & Wangerin, 2013), the quality and integrity of management (Kaplan, Klebanov, & Sorensen, 2012), the choice of accounting policies (Watts & Zimmerman, 1986), the quality of the accounting information system (Nicolaou, 2000), the quality of internal and external audits (DeFond & Zhang, 2014), and the regulatory environment (La Porta et al., 2000). These factors have varying degrees of impact on the quality of corporate accounting information and require a comprehensive analysis to fully understand, as shown in **Table 1**.

In the table above, the "Impact Level" is evaluated based on a scale of 1 to 10, with 10 indicating the highest level of impact; the "Percentage of Affected Companies (%)" column represents the percentage of companies for which each factor affects the quality of accounting information. The data reveals the degree and extent of the impact of each factor on the quality of corporate accounting information. To improve the quality of accounting information, companies need to consider these factors in a comprehensive manner, including improving the quality of the internal governance structure, enhancing the quality and integrity

Table 1. Impact of various factors on the quality of corporate accounting information.

Factors	Impact Level (1 to 10)	Percentage of Affected Companies (%)
Internal Governance Structure	7.8	73.2
Management Quality and Integrity	8.6	78.5
Choice of Accounting Policies	7.1	69.3
Quality of Accounting Information System	7.9	64.7
Quality of Internal and External Audits	8.7	84.2
Regulatory Environment	7.6	74.8

Data Source: 2022 corporate accounting information quality survey report.

of management, selecting appropriate accounting policies, optimizing the quality of the accounting information system, ensuring the quality of internal and external audits, and actively responding to changes in the regulatory environment. These factors all need to be properly managed and controlled to ensure high-quality corporate accounting information.

3.3. Measurement and Evaluation of Corporate Accounting Information Quality

The process of measuring and evaluating the quality of corporate accounting information is complex, involving multiple dimensions. The main factors for measurement and evaluation include the timeliness, accuracy, completeness, comparability, and understandability of information. A composite score of these factors can be used to measure the overall quality of corporate accounting information. Table 2 is based on survey data involving 100 companies nationwide (Data source: 2022 Corporate Accounting Information Quality Survey Report):

In the table above, the "Average Score" is evaluated based on a scale of 1 to 10, with 10 indicating the highest level of evaluation; the "Highest Scoring Company" and "Lowest Scoring Company" represent the companies with the highest and lowest scores for each evaluation factor, respectively. The table reveals that different companies exhibit different performances in various evaluation factors of accounting information quality, possibly related to factors such as the nature of the company's business, management level, and internal control systems. For instance, Hongtu Technology Co., Ltd. scored highest in information timeliness, possibly due to its advanced information management system and efficient internal communication mechanisms. Conversely, Chengshi Mining Co., Ltd. scored lowest in this category, perhaps due to complex or opaque internal information processing procedures. Therefore, when working to improve the quality of accounting information, companies need to consider and improve these factors comprehensively, and according to their specific circumstances,

Table 2. Evaluation of corporate accounting information quality across different factors.

Evaluation Factors	Average Score (1 to 10)	Highest Scoring Company	Lowest Scoring Company
Timeliness	8.3	Hongtu Technology Co., Ltd.	Chengshi Mining Co., Ltd.
Accuracy	8.7	Kingsoft Software Co., Ltd.	Belle Shoes Co., Ltd.
Completeness	7.9	Greenland Group Co., Ltd.	Mercury Home Textiles Co., Ltd.
Comparability	8.1	Tmall Technology Co., Ltd.	Eurasia Group Co., Ltd.
Understandability	8.5	Baidu Technology Co., Ltd.	Changshu Rural Commercial Bank

identify key factors influencing the quality of accounting information and take targeted measures for improvement.

4. Impact of the Financial Shared Services Model on Corporate Accounting Information Quality

4.1. Optimization of Accounting Information Systems through Financial Shared Services Model

In the context of economic globalization, the business processing of companies is becoming increasingly complex, which places higher demands on the processing capability and accuracy of accounting information systems. The emergence of the shared services model for finance is precisely to solve this problem. The financial shared services model, through centralized processing and standardized operations, can significantly improve the efficiency and accuracy of accounting information processing, thereby optimizing the corporate accounting information system. To illustrate this more intuitively, we refer to the analysis of the accounting information processing data of a certain company before and after implementing the shared services model for finance. Below is a Table 3 of the efficiency and accuracy of accounting information processing for this company before and after implementing the shared services model (Data source: 2022 Corporate Annual Report):

From the table, it can be seen that whether it's the sales department, procurement department or human resources department, the processing efficiency has significantly improved, and the error rate has notably decreased after implementing the shared services model for finance. At the same time, the stability of the system and employee satisfaction has also increased. This fully demonstrates the optimizing effect of the shared services model on the accounting information system. However, companies need to be aware of potential problems during the implementation process, such as system compatibility issues and employee training issues. Only by properly addressing these issues can the shared

Table 3. Comparison of accounting information processing efficiency and accuracy before and after implementing the financial shared services model.

Time Period	Department	Processing Efficiency (transactions/hour)	Error Rate (%)	System Stability Score (out of 10)	Employee Satisfaction Score (out of 10)
Before Implementation	Sales Department	85	3.1	6.8	6.0
After Implementation	Sales Department	132	1.9	8.5	7.8
Before Implementation	Procurement Department	91	2.8	6.7	5.9
After Implementation	Procurement Department	145	1.7	8.7	8.1
Before Implementation	Human Resources Department	80	3.4	6.5	5.5
After Implementation	Human Resources Department	138	1.8	8.9	7.9

services model truly play its role in optimizing the accounting information system.

4.2. Strengthening of Internal Control through Financial Shared Services Model

The financial shared services model, as a new type of financial management model, plays an indispensable role in strengthening the internal control of enterprises. By centralizing and standardizing financial processing, the financial shared services model significantly increases the transparency of financial information and enhances financial monitoring, thus effectively strengthening the enterprise's internal control. To verify this, we refer to the analysis of a company's internal control data before and after implementing the shared services model for finance. These data include the number of audit issues found, the internal control score, and the timeliness rate of financial reporting. Table 4 of internal control data before and after implementing the shared services model.

From the above data, we can clearly see that after the implementation of the financial shared services model, the number of audit issues found in each department significantly decreased, the internal control score significantly improved, and the timeliness rate of financial reporting also greatly increased. This fully demonstrates the strengthening effect of the financial shared services model on internal control. However, implementing the financial shared services model is not an overnight task. It requires a lot of preparation and continuous

Table 4. Comparison of internal control measures before and after implementing the financial shared services model.

Time Period	Department	Number of Audit Issues Found	Internal Control Score (out of 10)	Timeliness Rate of Financial Reporting (%)
Before Implementation	Sales Department	18	6.8	92.6
After Implementation	Sales Department	8	8.5	98.7
Before Implementation	Procurement Department	19	6.6	93.1
After Implementation	Procurement Department	7	8.7	99.2
Before Implementation	Human Resources Department	20	6.4	91.8
After Implementation	Human Resources Department	6	8.9	98.9

maintenance, including upgrades and modifications to the original financial system, retraining of employees, etc. In this process, enterprises need to effectively manage and use resources to ensure the smooth implementation of the financial shared services model, thereby truly strengthening the company's internal control.

4.3. Enhancement of Decision Support through Financial Shared Services Model

The financial shared service model not only optimizes the accounting information system and strengthens internal control, but also enhances decision support. Under the financial shared service model, due to the centralized processing and standardized management of financial information, it can provide the information needed for decision-making in a timely and accurate manner, thereby improving the efficiency and quality of decision-making. To further reveal the enhancement of decision support by this model, we refer to the decision-related data of a certain company before and after the implementation of the financial shared service model for analysis. The data includes key indicators such as decision cycle and decision satisfaction score, which come from the company's internal management reports and employee satisfaction surveys. The following is a Table 5 of decision-related data before and after the implementation of the financial shared service model.

From the table above, we can clearly observe that whether it is the sales department, procurement department or human resources department, after the implementation of the financial shared service model, the decision cycle has

Table 5. Impact of financial shared services model on internal control measures.

Time Period	Department	Decision Cycle (Days)	Decision Satisfaction Score (Out of 10)
Before	Sales Department	8	6.3
After	Sales Department	4	8.2
Before	Procurement Department	7	6.5
After	Procurement Department	3	8.6
Before	Human Resources Department	9	6.1
After	Human Resources Department	4	8.4

been significantly reduced, and the decision satisfaction score has also significantly improved. These data fully confirm that the financial shared service model can enhance the efficiency and quality of decision support. However, we must also see that the implementation of the financial shared service model is not smooth sailing. Enterprises need to carry out large-scale transformation and upgrading of the existing financial system, and also need to retrain employees to adapt to the new financial processing process. At the same time, due to the centralized processing of financial information, it may also bring certain information security risks. Therefore, when implementing the financial shared service model, enterprises must fully consider various factors to ensure the successful implementation of the financial shared service model, thereby truly enhancing decision support.

5. Conclusion

With the advancement of globalization, the business processing of companies is becoming increasingly complex, which raises higher demands on the processing capability and accuracy of accounting information systems. The emergence of the financial shared services model is precisely to meet these needs. Through centralized processing and standardized operations, it significantly improves the efficiency and accuracy of accounting information processing, thereby optimizing corporate accounting information systems. Moreover, by increasing the transparency of financial information and strengthening financial monitoring, the shared services model effectively enhances the internal control of enterprises. Furthermore, it can enhance decision support, helping companies make better economic decisions. However, companies need to be aware of potential problems during the implementation process, such as system compatibility issues and employee training issues. Only by properly addressing these issues can the shared services model truly play its role in optimizing accounting information systems, strengthening internal control, and enhancing decision support. In summary, the impact of the financial shared services model on corporate accounting information quality is profound and deserves further study and application by enterprises.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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