

Revolutionizing digital and intelligent finance: Pioneering intelligent shared services strategies

The path from process centralization to value creation

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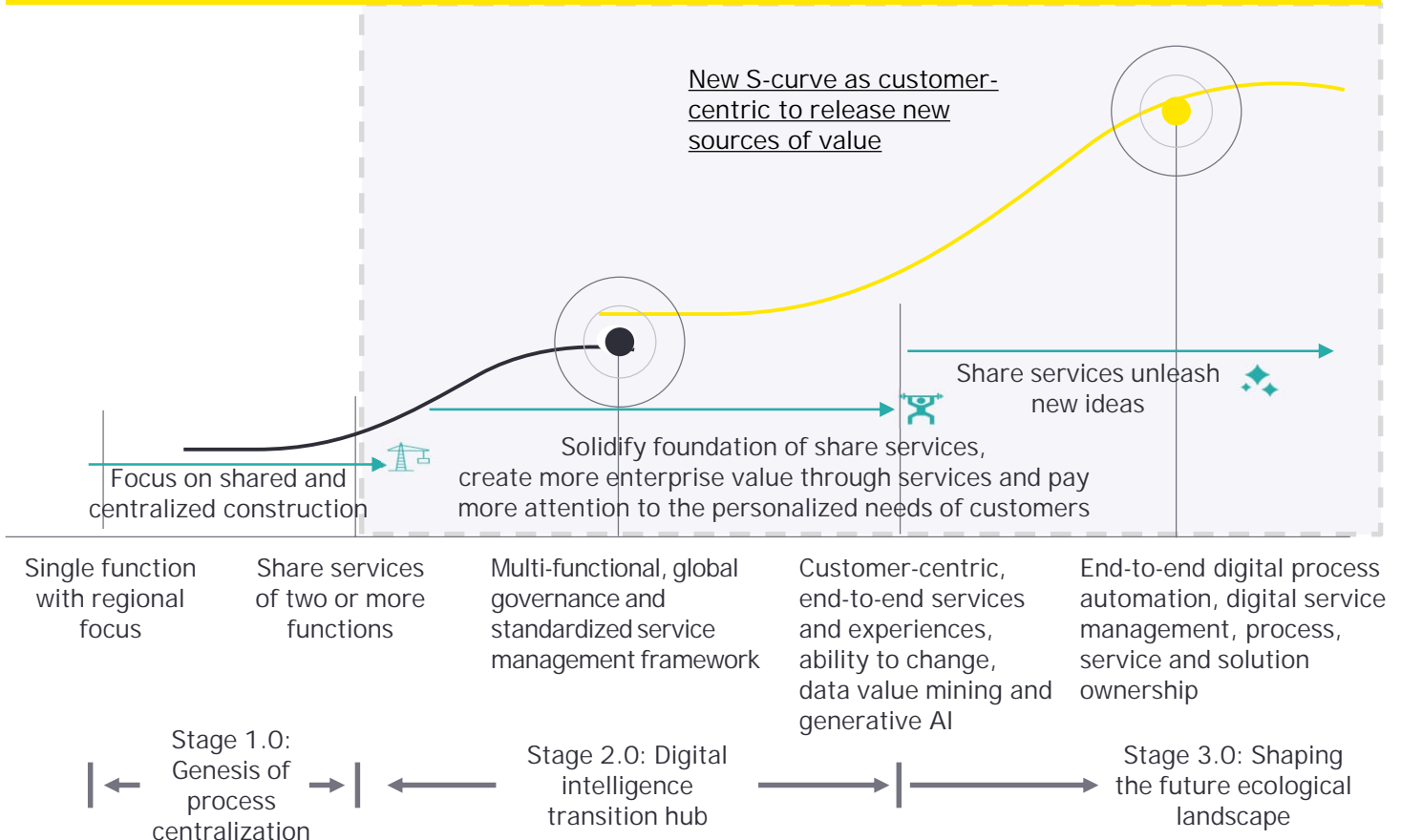


When “share services” meets “digital intelligence”

Driven by the digital economy surge, enterprise financial management boundaries are undergoing a profound redefinition. The IDC’s 2024 Global Digital Transformation Expenditure Forecast projects that Chinese enterprises will invest over US\$65 billion in intelligent operational management by 2024, with artificial intelligence (AI) capacity enhancement in financial shared services centers ranking among the top three technology investment priorities. The evolution of shared services centers, transitioning from cost centers to today’s intelligent hub, encapsulated the digital and intelligent transformation of enterprises. As traditional financial share services fulfill the foundational processes, the challenge now lies in transcending efficiency optimization constraints and venturing into the realm of value creation. This remains a critical challenge awaiting urgent resolution by enterprise leaders.

1. Three-stage evolution of shared services centers

Journey of share services



| Stage 1.0: Genesis of process centralization

From 2010 to 2018, Chinese enterprises embarked on the initial phase of financial share services development. During this period, the shared services centers resembled “standardization plants” within the financial field, leveraging centralized operations for functions such as decentralized reimbursement, fund payments and accounting to achieve significant economies of scale. Data from a large state-owned enterprise showed that the expense reimbursement cycle has been shortened from seven days to 48 hours, a 40% decrease in labor costs and the establishment of more than 200 standardized process templates. This consolidation effectively put an end to the chaotic practice of “one enterprise, one policy”. However, at this juncture, the shared services center functioned more akin to a meticulous processing machine, with its full potential for value creation yet to be fully harnessed.

| Stage 2.0: Digital intelligence transition hub

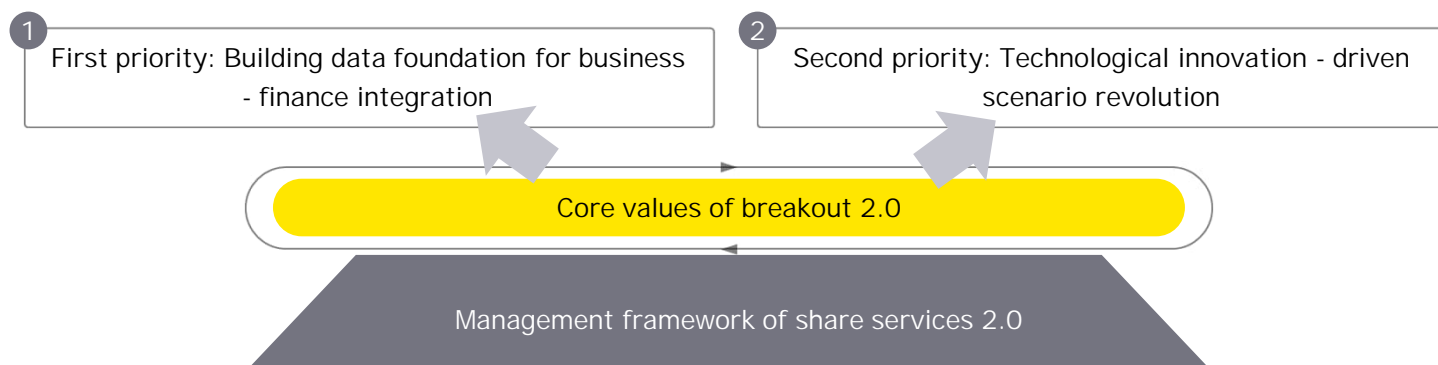
Since 2019, following the comprehensive consolidation of fundamental processes, shared services centers have transitioned towards strategic value enhancement. Notably, the shared services center of a prominent Internet company now manages an average daily data processing volume exceeding five TB, established a robust enterprise-level data asset repository. Functionally, the expansion has been significant, shifting from solitary financial operations to multifaceted coordination across human resources, IT and procurement, thereby evolving into a versatile share services matrix. At the customer experience level, the implementation of an intelligent customer service system has revolutionized problem solving, propelling service response times into the era of “minute-level” efficiency. Currently, the shared services center stands as the “central processor” driving the digital intelligent transformation within enterprises. Beyond cost efficiencies and operational enhancements, it is unveiling new possibilities through data empowerment and customer-centric share services, marking a pivotal shift towards value-driven operations.

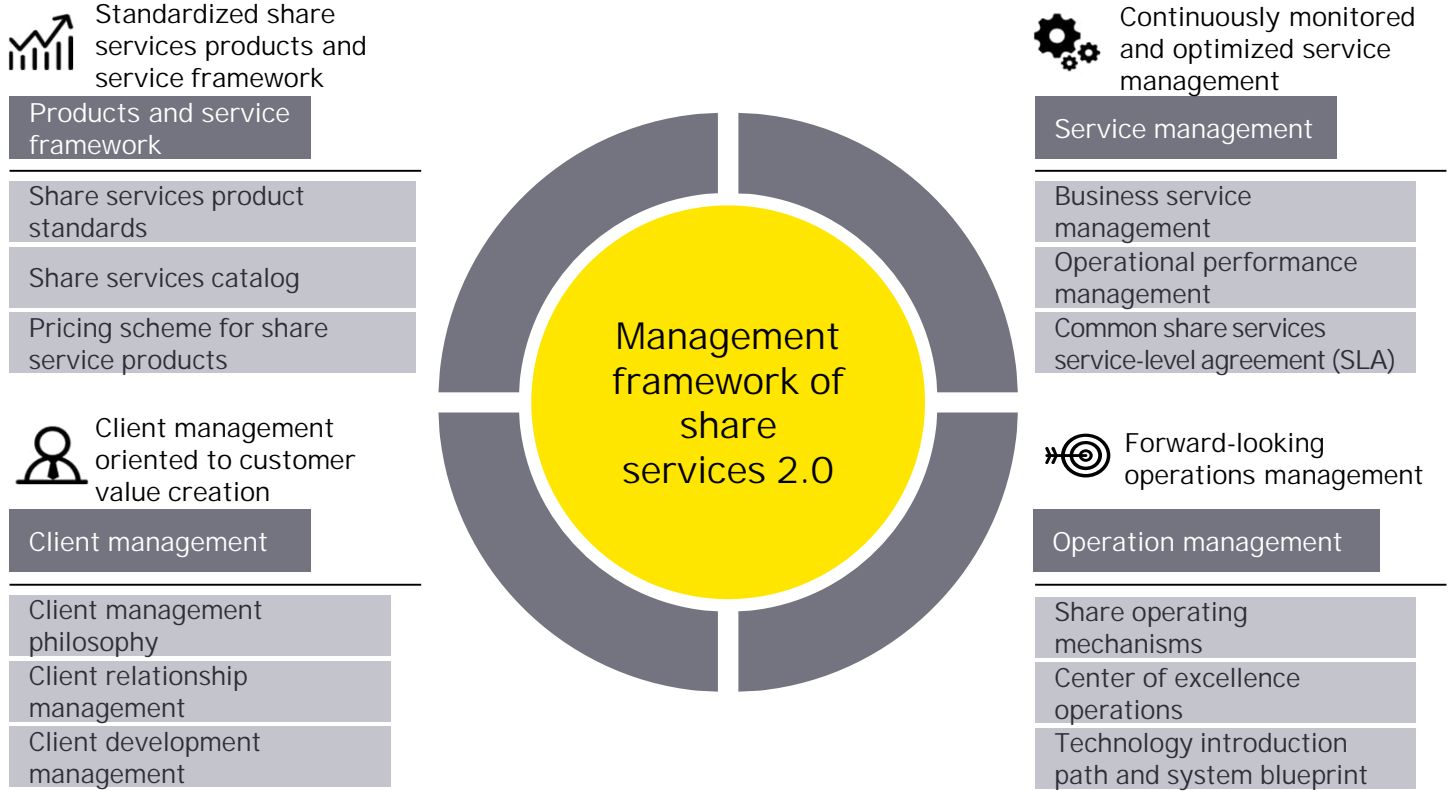
| Stage 3.0: Shaping the future ecological landscape

Through the pioneering efforts of numerous domestic share services innovators, shared services centers are showing immense potential. This progression signals the advent of the share services 3.0 era, poised to transcend traditional enterprise boundaries. By establishing a collaborative network that interconnects suppliers, customers and financial institutions, the shared services center is evolving into an intelligent hub that drives business ecosystems forward.

2. Core values of breakout share services 2.0: Incorporating system rebuilding and data technology empowerment

In the journey towards advancing to a higher level of digital intelligence, enterprises need to grasp the strategic framework of “one system, two approaches”.





This industry-proven management framework of share services 2.0 essentially reconstructs the value creation logic of share services through four pillars:

- The first pillar: The standardized product service system breaks the limitation of the traditional shared services center's "passive response demand" approach. By packaging high-frequency services into modular products that are combinable, enterprises can flexibly configure service solutions akin to a "menu click" experience. A multinational manufacturing group has structured 56 basic services into a three-tier system comprising "standard package, value-added package and customized package". Business units autonomously select service portfolios based on their requirements, consequently enhancing demand matching efficiency by 40%.
- The second pillar: The value-oriented customer management system marks the paradigm shift of the shared services center from "function-oriented" to "customer-centric". By building a customer management model including service portrait, value assessment and closed feedback loop, an energy enterprise customized service response mechanisms for different strategic units set up 24/7 multilingual support for overseas business units, establishing a budget green channel for research and development units and ultimately elevating customer satisfaction levels from 75% to 89% of the industry average.
- The third pillar: The intelligent monitoring system serves as the "digital nerve" enabling shared services centers to achieve self-iteration. It comprises process node data, service level agreements and process KPIs. A case study of a retail giant shows that through the deployment of a process mining system covering 156 process nodes, real-time tracking of 18 core indicators such as per capita work order processing time and abnormal work order proportion is possible. The system can automatically identify process bottlenecks in conjunction with risk prevention models. Upon detecting a process abnormality, the system promptly triggers a risk warning, resulting in a 65% reduction in the problem-solving cycle.
- The fourth pillar: The forward-looking operation mechanism furnishes the organizational foundation for continuous evolution. Leading enterprises have established "innovation laboratories" within shared services centers, with a mixed team of digital engineers, data scientists and business professionals. An intelligent compliance engine developed by a financial institution laboratory utilizes natural language processing technology to analyze real time regulatory policy alterations. This engine automatically updates the audit rule base, condensing the regulatory response time from the traditional 14 days of manual processing to an immediate effect.

The value of this framework has been fully validated in the operations of a large multinational enterprise. By establishing a comprehensive “menu” service product library, introducing strategic customer hierarchical management, implementing intelligent monitoring platforms and founding innovation laboratories, the service satisfaction levels of its strategic unit have surged from 78% to 92%. Additionally, new value-added revenue streams such as data services have emerged. This successful outcome underscores that when the four pillars synergize effectively, shared services centers can transition from mere cost centers to pivotal strategic hubs of value creation.

| 02 Dual-driven core strategies

- First priority: Building data foundation for business - finance integration.

The wealth of business financial data curated by the financial shared services center is emerging as a key instrument in breaking down silos across departments. A leading example from a manufacturing enterprise involves a unified data dictionary that standardizes 34 core business fields. Shared data is used to revamp the enterprise resource planning (ERP) system, facilitating automated transaction compliance processes. Additionally, by crafting a dynamic cost model, the annual efficiency gain within a single product line amounts to RMB30 million. This closed loop, spanning from data governance to value extraction, essentially leverages financial data as a link to reimagine the foundational logic of business operations.

- Second priority: Technological innovation - driven scenario revolution.

Positioned at the juncture of enterprise workflows, the shared services centers inherently garner the benefits of being at the forefront of technological experimentation. A prominent real estate enterprise's intelligent document review system has achieved an impressive 98% automation rate for invoice verification. Simultaneously, robotic process automation (RPA) robots in a bank's shared services center have set a milestone by processing two million transactions monthly. Of particular significance is the expanding integration of AI technology within the natural language processing (NLP) contract review system, enabling the automatic identification of 89% of risk clauses. The deployment of intelligent business process management (iBPM) facilitates the autonomous orchestration of processes across disparate systems. These technological innovations not only enhance service efficiency but also introduce new capabilities such as early risk detection and decision-making support.

3. Advancing to 3.0: Intelligent shared services trends

| 01 Productizing services: Shifting from cost centers to profit generators

When the shared services center has amassed significant expertise, its services can be commodified and exported. A new energy enterprise has piloted the software-as-a-service (SaaS) model, bundling modules like cost control and tax compliance into digital products. These offerings are extended to partners across the industrial chain, generating tens of millions in revenue within six months. This transformation not only unlocks new revenue streams but also serves as a platform to exhibit the digital prowess of enterprises.

| 02 Fostering organizational agility: Building a dynamic operational framework

The conventional pyramid structure is giving way to a more adaptable arrangement of “foreground business unit, shared middle platform and innovative background”. A technology company has established an agile team comprising business professionals, data engineers and risk control specialists, capable of devising solutions for new business requirements within a swift 72-hour timeframe. This shift in organizational design enables the shared services center to maintain its scale advantage while also fostering the agility necessary to navigate evolving market dynamics.

| 03 Smart decision-making: Transitioning from experience-based to digital twin insights

With the support of digital twin technology, an automobile group has realized virtual simulation of business scenarios. By importing historical data and market variables, the system can automatically deduce the financial impact of different decision-making paths, so that management can obtain a quantitative assessment of risk-return before making major investment decisions. This decision-making mode of “trial before action” marks the official entering of financial management into the era of foresight.

Conclusion: Revamping the coordinated financial value system

When the shared services center transitions from a cost center to a value generator, enterprises must redefine three key dimensions:

1. Value assessment: Shift the focus from measuring “how many documents have been processed” to evaluating “how much revenue has been created”.
2. Capability positioning: Move away from being seen as a “backstage supporter” to positioning the center as a “strategic enabler”.
3. Technology perspective: Evolve from being a “passive adaptation system” becoming an “active ecological construction”.

In the era of digital economy 2.0, the primary objective of intelligent shared services is to transform every data stream into a source of value generation. When the financial function can grasp the pulse of business operations, proactively alert about risks and forecast market trends in real-time via a collaborative share services system, enterprises will genuinely transition from being a “rearview mirror” to a “navigator”. The subtle financial revolution is reshaping the competitive DNA of Chinese companies. Is your company prepared to embark on this journey of augmented dimensionality?

As a deeply engaged contributor to the development of global shared services centers, the EY team has collaborated with hundreds of multinational corporations and top local enterprises to complete the upgrading of their share services systems. Whether it involves the process centralization establishment in stage 1.0, the digital intelligent transformation in stage 2.0 or the value-driven innovation in the era of 3.0, we are committed to tailoring the path of intelligent shared services evolution for enterprises by combining industry insights and technological empowerment. With a global outlook and localized implementation, EY teams stand ready to assist enterprises in navigating the complexities of the digital intelligence wave accurately and effectively.

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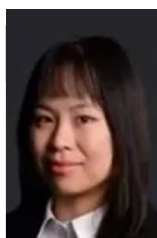
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