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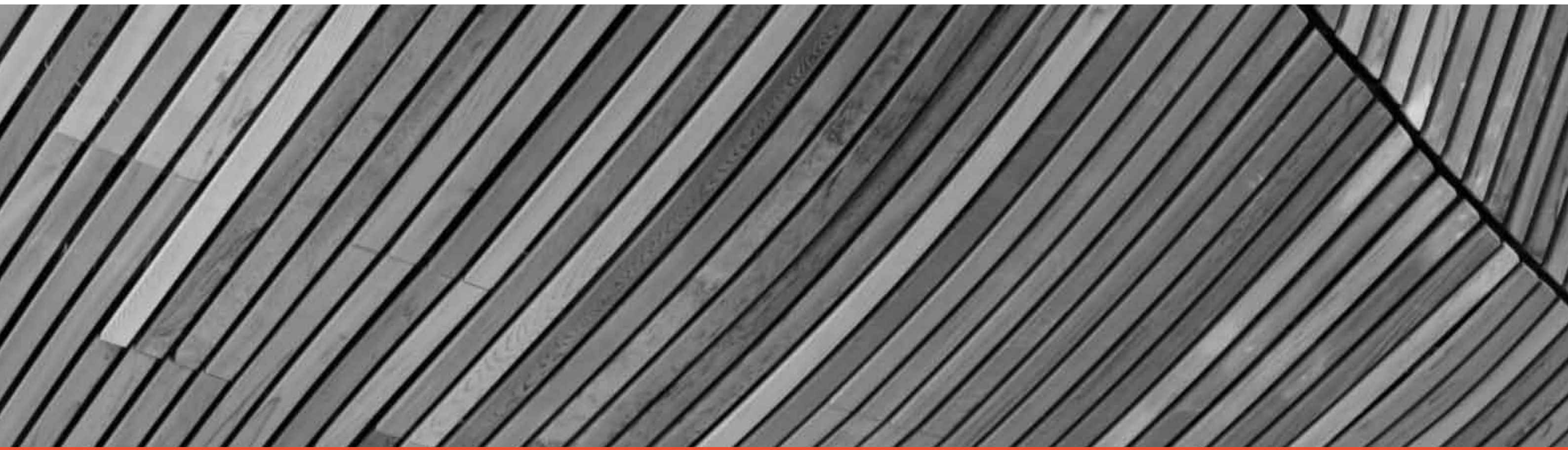

Remote delivery: the China story

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. As the first global accountancy body entering into China, ACCA now has over 22,600 members and 42,500 students, with 7 offices in Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen, Hong Kong SAR, and Macau SAR.

Founded in 1904, ACCA has consistently held unique core values: **opportunity, diversity, innovation, integrity and accountability**. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 80 offices and centres and more than 8,400 Approved Employers worldwide, who provide high standards of employee learning and development.

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As early as 1917, we opened an office in Shanghai. Backed by our global network, we deliver a full range of audit, tax, consulting and financial advisory services to national, multinational and growth enterprise clients in China. We have considerable experience in China and have been a significant contributor to the development of China's accounting standards, taxation system and local professional accountants. We provide services to around one-third of all companies listed on the Stock Exchange of Hong Kong.

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Foreword - ACCA

The growth of shared services and outsourcing as part of initiatives to transform the finance function is now firmly established. As the global body for professional accountants, we see significant worldwide opportunities for ACCA students and members in shared services and outsourcing in the future. The ACCA Qualification has been designed to develop the breadth of finance capabilities and skills that will be needed in future finance functions that embrace these types of operations.

In 2012, ACCA surveyed Chief Financial Officers and other finance leaders around the world to gain their perspective on the aims and effectiveness of current finance shared service and outsourcing activities. This report presents a follow up of that original global survey. It specifically looks at the adoption and success of finance shared services and outsourcing in China, and we are delighted to have produced this report in partnership with Deloitte Consulting.

The opportunity for China to become a leading destination in finance and accounting outsourcing and offshoring is significant, with some cities already established as major hubs and others emerging as viable alternative destinations. We believe these developments will provide excellent career opportunities for ACCA students and members in China in the future.

Finally I would like to take this opportunity to thank all of those finance leaders who have contributed to this study and shared their insights.

Best Wishes

Helen Brand, OBE
ACCA chief executive

Foreword – Deloitte Consulting

With the advent of the third industrial revolution, companies across the globe are facing opportunities and challenges when it comes to transformation of financial management. By seizing the opportunities brought by such transformation, companies can gain an advantage over their competitors. As the world's largest management consulting firm, Deloitte Consulting is committed in helping companies to strengthen their capability in finance transformation. We offer comprehensive financial solutions and create real value by integrating the solutions into our clients' practice in management. We provide professional services to the largest and most innovative companies in China and around the world. We work together and face the challenges and opportunities arise from finance transformation.

At the end of the last century, some of the world's leading companies started to adopt the idea of finance shared services, whereby the internally duplicated and non-core business related finance functions and processes were centralised to a local or remote centre; through the scale effect in batch processing, efficiency and operation costs were improved and reduced respectively, finance departments can increase the focus on business, in order to achieve resources optimisation and strengthened support to business. Over the years, our consulting and implementation team for global shared finance services has been part of this development. We have experienced and witnessed the remarkable achievements made by many companies.

We are delighted to have the opportunity to work with ACCA in this survey about the views from finance leaders of the leading Chinese enterprises on finance shared services. The survey has received broad support and well feedbacks. It provides us with insights on finance shared services in China, as well as the outlook from the executives. I believe the report will provide inspirations to companies with or without established finance shared services. I also believe decision-makers of any corporations would find the report valuable for their management decisions, something that Deloitte Consulting has always been committed to offer.

ACCA is one of the world's largest and the most influential bodies for professional accountants, and we are honoured to work with ACCA. I would like to thank all the corporate executives for their insights contributed to this survey. I am also very grateful for the hard work from the joint team of Deloitte Consulting and ACCA in this research report.

Norman Sze
Partner, Deloitte Consulting

Executive Summary

Shared service originated in the 1980s. It was initiated by the manufacturing giants from the US, such as General Motors and Ford. It promotes efficiency and cost savings through the scale effect by transferring similar and duplicate finance processes in different business units to an independent shared service centre. In the thirty years since then, the concept of shared services has further developed along with practical application. Together with the advancement in information technology, the model of shared services has been widely applied in various corporate functions in different industries around the world, such as finance, information technology, human resources and it has become an effective business operating model. In early 2012, ACCA conducted a global survey (*'Finance leaders on sourcing success'*, ACCA, 2012, hereinafter 'the global survey') to examine the degree to which Finance Shared Services[1] (FSS) are being applied among the finance leaders.

In China, given the belated liberalisation of its economy, its vast geographical size, and different policies, regulations, culture and business practices in different regions, enterprises generally believe it would be more challenging to implement shared services. Therefore, even those giant groups with huge potential to achieve economies of scale rarely use shared services. But in the past five years, along with the economic globalisation, the convergence of regulatory policies and the enhancement of information flow, an increasing number of Chinese enterprises have started or planned to use shared services. Therefore, ACCA and Deloitte Consulting jointly carried out this research through questionnaires and in-depth interviews with the finance leaders with different experience in shared services from companies of different sizes in different industries. We have summarised and shared their views and best practices about FSS in this report.

In late 2012, ACCA and Deloitte Consulting distributed questionnaires to Chief Financial Officers, Finance Directors and heads of shared service centres in enterprises in Mainland China and the Hong Kong Special Administrative Region (HKSAR), aiming to explore the FSS strategy of Chinese enterprises (including both enterprises in the Mainland and the HKSAR). We received 249 valid responses. In addition, we also conducted in-depth interviews with the senior finance personnel of leading practices in FSS. Each of the companies we interviewed have sophisticated businesses with wide geographical coverage and over five years of experience in operating finance shared service centres (FSSC) covering a wide range of various operations. The report on this survey clearly describes the current status and degree of maturity of FSS in China. It also precisely outlines the common mode of operation, as well as problems and challenges facing FSS implementation in China, and shares the best practices from Chinese enterprises in this aspect.

According to the survey results, almost half of the respondents have started using FSS, indicating that Chinese enterprises are paying more attention to the FSS model. Companies have better understanding of and expectation from the benefits of FSS in finance transformation and financial capability enhancement.

Chinese enterprises focus on how FSS can help the integration and promotion of standardised finance processes, as well as the way it can provide support to the core business and enhance operational efficiency. It is expected that the overall management of financial capability can be enhanced through the implementation of FSS.

This survey reveals the following issues regarding implementation of FSS by Chinese enterprises.

1. **Scope of FSS remains limited to transactional processes**
   In the course of finance transformation and centralisation, Chinese enterprises have been focusing on transactional processes in FSS, such as accounts receivable, accounts payable, general ledger, payroll and expenses. These are often repetitive processes with high transaction volume and easily standardised, indicating that enterprises see the value of efficiency enhancement by process centralisation. Similar to the findings of the global survey, Chinese enterprises prefer to retain the management of most of the high value activities in the finance departments of the headquarters and business units, rather than transferring them to the FSSC.

2. **The primary business goals of FSS implementation are standardisation and capability enhancement**
   The survey shows that the three major business goals for the participants in FSS implementation are finance

[1] *The term 'finance shared services' hereby is defined in its broad sense of the general concept of shared services. When used separately, 'finance shared services' only refers to the narrowly-defined concept. Finance shared services (in broad and narrow senses), outsourcing and the hybrid model are respectively defined as follows:*
- *Finance shared services in broad sense includes finance shared services defined in its narrow sense as below, outsourcing, hybrid model combining both the self-built shared services and outsourcing.*
- *Finance shared services in narrow sense refers to the self-built capability in internal operation, and does not include any form of outsourcing.*
- *Outsourcing means that the selected financial processes are delivered by third-party service providers.*
- *Hybrid model refers to a finance shared service model that combines finance shared services (in narrow sense) and outsourcing*

For the purposes of this report, the term 'finance shared services' used in the foreword, executive summary and conclusion refers to finance shared services in broad sense, whereas the term used in the main body of the report refers to the concept in its narrow sense.

capability improvement, transformation into a standard / pre-configured finance process (e.g. accounts payable / payroll) and the financial cost savings, while the previous global survey showed that enhancing efficiency of finance processes, reducing the financial cost and enhancing the overall performance of the business are the three major goals.

3. **Preference in setting up FSSC in developed regions**
   91% of the surveyed enterprises chose to set up their FSSCs in cities with many well-developed shared service centres or where their corporate headquarters are. Interviewees also expressed that it is necessary to consider and balance multiple factors in location selection for their FSSCs, such as the population of well-developed shared service centres, the distance between the centre and the headquarters, the talent cost and the availability of talent pool.

4. **FSS is effective in process standardisation and service quality enhancement**
   The survey shows that Chinese enterprises have performed well in overcoming the challenges in four aspects: workflow transformation, IT challenges; meeting engagement standard / process efficiency; as well as meeting the financial targets. The previous global survey indicated that the three major challenges to be overcome are workflow transformation, governance effectiveness and management revolution.

5. **Using financial performance dashboard to monitor FSS, in order to facilitate continuous improvement in financial performance**
   Consistent with the findings of the previous global survey, China enterprises greatly rely on the most common tools for performance monitoring, such as financial performance dashboards, internal leading practice benchmarking and customer satisfaction surveys. Compare with the previous global survey, however, the Chinese enterprises in this survey are more focused on learning from the best global practices; a higher proportion of respondents use comprehensive governance process or Six Sigma.

6. **Service quality management is the most priority challenge in FSS implementation**
   Although some Chinese enterprises have yet to use FSS, they are all aware of the changes due to FSS implementation as well as the required preparation for such implementation. They are highly focused on the maintenance of service quality during implementation and continuous post-implementation improvement. They are also fully aware of the impact of such implementation on their corporate culture. Other priority challenges include the influence brought to team morale and process efficiency by the transformation, as well as the compatibility with existing business models.

7. **Finance leaders regard formation of FSS team, talent transformation, recruitment and development as the primary concerns**
   Chinese enterprises are fully aware of and have been attentive to the human resources challenges in front of them during the development of FSS. They are keen to leverage the FSSC as a talent pool and training platform for finance personnel. In addition, they understand career planning and progression are the keys to ensure the quality of FSS and retain FSS talent. The top five human resource challenges facing Chinese enterprises are ensuring the quality and efficiency of employees, recruiting and retaining competent management personnel, career planning and promotion, managing change and cross-cultural management.

8. **Shared services facilitate the realisation of the finance transformation goals**
   The survey shows that when Chinese enterprises implement their finance transformation strategy, their top three missions are finance process re-engineering, internal control and risk management, and cost optimisation. FSS is the ideal means to achieve these missions.

Part 1 Overview

In the joint survey about FSS conducted by ACCA and Deloitte Consulting, 249 valid responses have been received. Among the surveyed enterprises, 60% of them do not deploy any FSS / outsourcing in their finance functions. The percentages of these enterprises which have deployed FSS and outsourcing are 21% and 9% respectively. The remaining 10% have a hybrid model of both shared services and outsourcing. (Figure 1: Overview of FSS / outsourcing deployment)

Based on the analysis of the industries, the public sectors; public utilities and telecommunications; healthcare; and banking, financial services / insurance have the highest ratio of FSS / outsourcing deployment, all exceed 50%. (Remarks: the number of respondents from public sectors, public utilities and telecommunications are relatively small.) The ratios of FSS / outsourcing deployment in entertainment, media & publishing and real estate industries are the lowest, which are slightly below 20%. (Figure 2: FSS / outsourcing deployment in different industries)

Figure 1: Overview of the FSS / outsourcing deployment

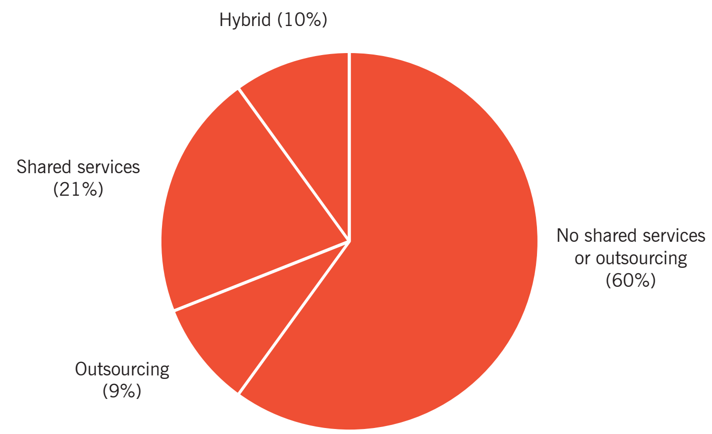
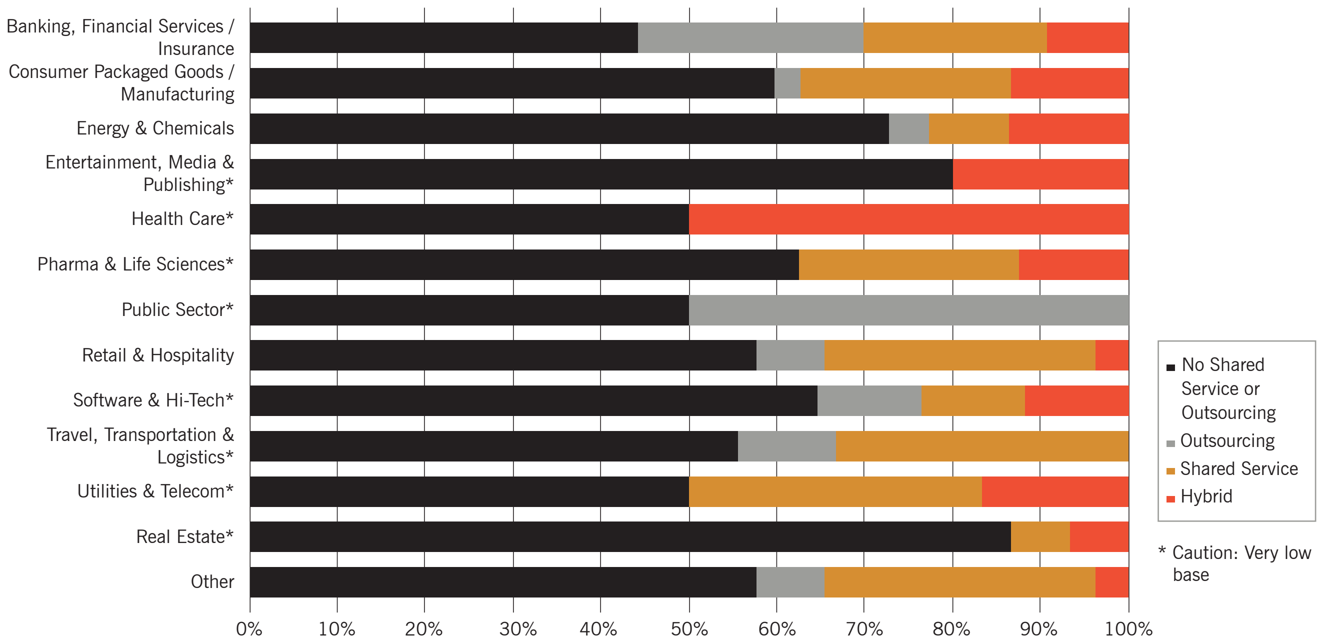
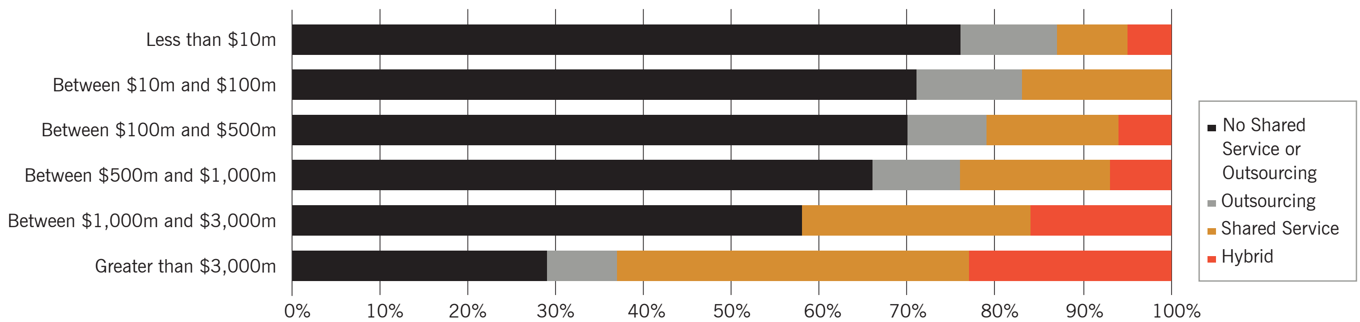


Figure 2: FSS / outsourcing deployment in different industries



Consistent with the results of the global survey, the larger the corporation, the greater is its tendency to adopt FSS, outsourcing or hybrid model. More than 40% of the surveyed enterprises with annual revenue exceeding $1 billion have deployed FSS / outsourcing. For those with annual revenue exceeding $3 billion, the deployment ratio is over 70%. In contrast, such ratio is less than 30% for companies with annual revenue below $10 million. (Figure 3: FSS / outsourcing deployment by companies of different size)

Figure 3: FSS / outsourcing deployment by companies of different size



Part 2 Analysis on enterprises currently deploying FSS / outsourcing

FSS remains limited to transactional activities

To build an effective system for FSS / outsourcing, it is necessary to understand the required processes to be included within the scope of FSS / outsourcing. In the course of finance transformation and management centralisation, the most common processes to be included in FSS / outsourcing are usually those related to daily business operations, given that they are relatively less relevant to management decision with high transactional volumes and they are easy to be standardised.

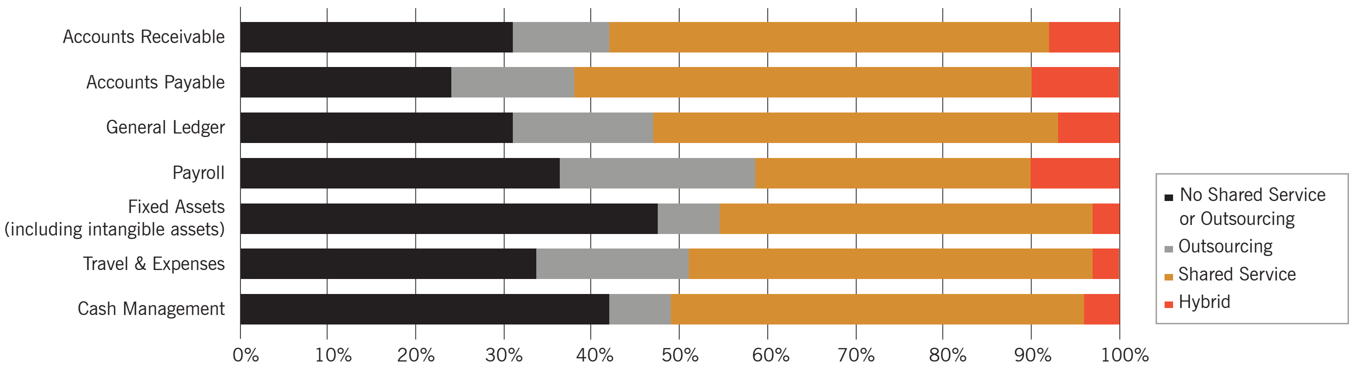
During the survey, enterprises have been asked if they share seven major processes which are commonly included in FSS / outsourcing, i.e. accounts receivable, accounts payable, general ledger, payroll, fixed assets, travel & expenses and cash management. The previous global survey has shown that more than 40% the surveyed enterprises included these seven processes in FSS / outsourcing. However, the current survey shows a slightly different result. Over 50% of the surveyed enterprises currently using FFS / outsourcing include all these seven processes in FFS / outsourcing. Over 60% of them include only five processes in FFS / outsourcing (without fixed assets and cash management), while application relating to accounts receivable exceeds 70%. However, a similar finding in the global survey has been found in the current survey as well, which shows that outsourcing is the most common practice in payroll management. More than 20% of the surveyed enterprises implement outsourcing in their payroll process. Together with those who have deployed the hybrid model, the figure exceeds 30%. (Figure 4: Different transactional processes by management models)

More different types of processes are integrated into FSS along with the increasing usage duration and maturity of finance delivery model

According to the survey, the more matured the finance delivery model, the higher rate of adoption of shared services for different transactional processes. In particular, companies with their finance delivery models over five or more years have an overall usage of shared services of over 70%.

Among those surveyed enterprises with existing finance models in operation for less than two years, over 60% have used FSS / outsourcing in accounts receivable, accounts payable and cash management, while using FSS / outsourcing in fixed assets management is the lowest. Among those with existing finance

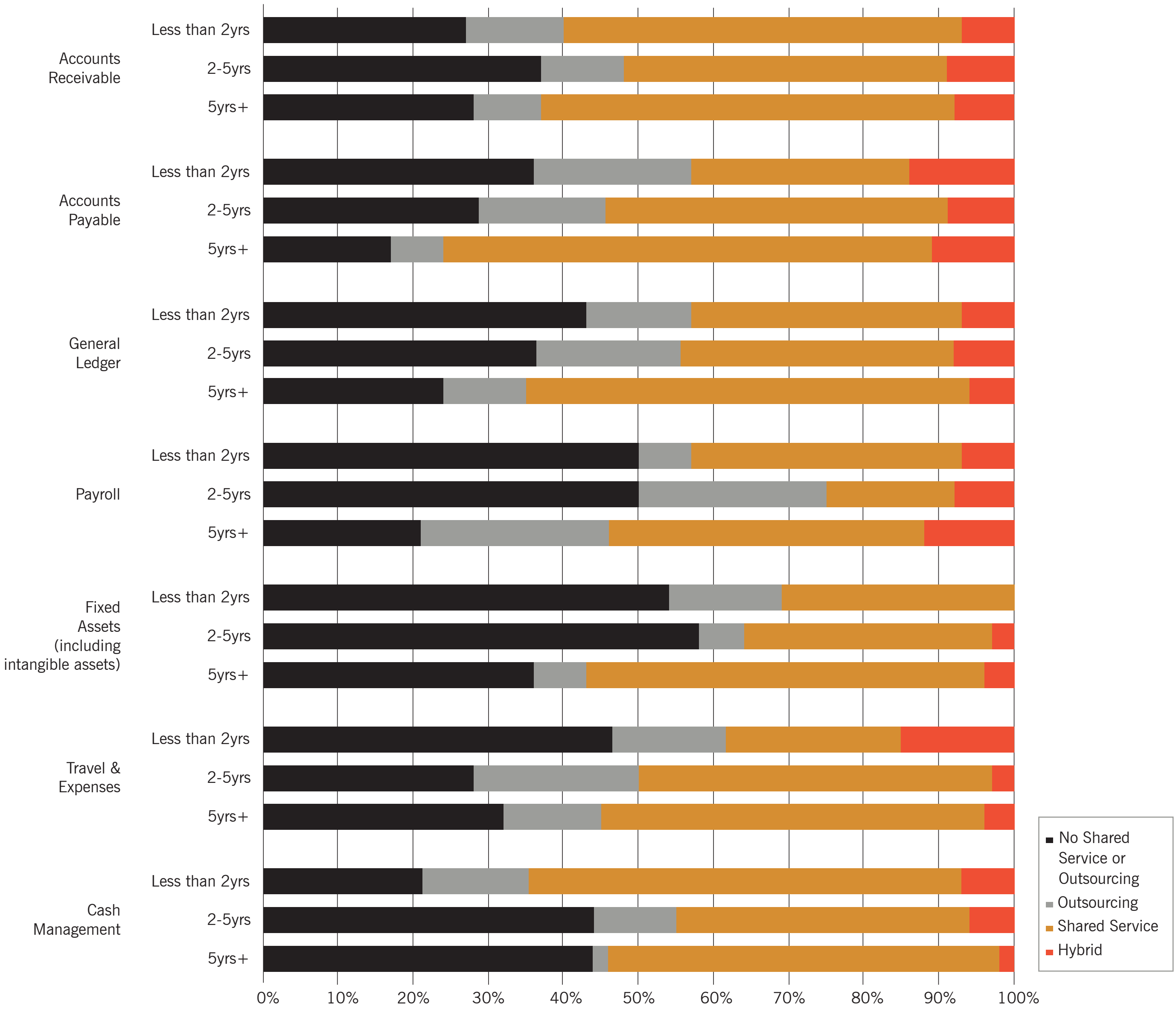
Figure 4: Different transactional processes by management models



delivery models in operation for two to five years, the processes included in shared services are accounts receivable, accounts payable, general ledger and travel & expenses, with usage over 60%, while it is only about 40% for fixed assets management. For enterprises with existing finance delivery models in operation for more than five years, 60% of them are using FSS / outsourcing to process accounts receivable, accounts payable, general ledger, payroll, fixed assets and travel & expenses. Among these processes, usage of FSS / outsourcing in fixed assets management is the lowest.

Obviously, usage of FSS / outsourcing as well as types of processes to be included in FSS / outsourcing increase when the usage duration and maturity of enterprises' existing finance delivery models increase. (Figure 5: Use of FSS / outsourcing according to the maturity of finance delivery models in different transactional processes)

Figure 5: Use of FSS / outsourcing according to the maturity of finance delivery models in different transactional processes



High value activities usually adopt non-shared service model
What is the usage of FSS / outsourcing for high value activities? Our definition of high value activities covers financial planning and analysis, forecasting, management accounting and reporting, financial and statutory reporting, business partnering, tax analysis, tax filing, treasury operations, internal audit, risk management, corporate governance, investor relations and finance projects.

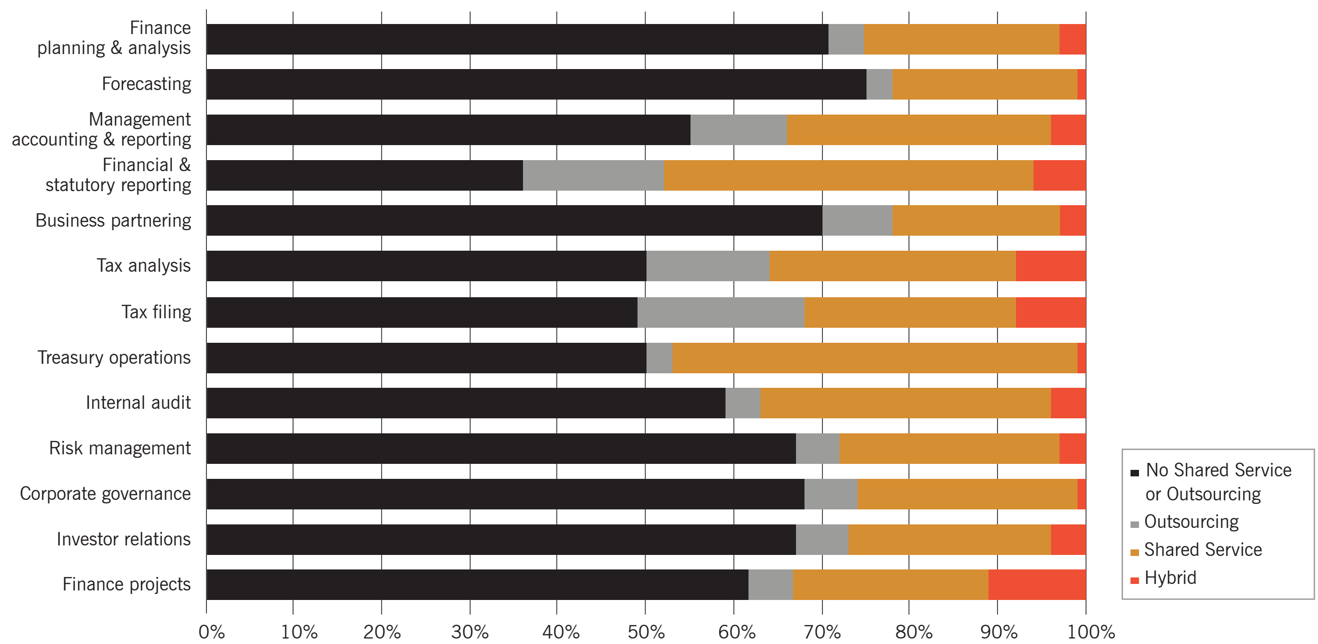
Similar to the previous global survey, our findings in the current survey have shown that the surveyed enterprises tend to retain the processes of high value in the original financial business units, instead of using shared services. However, almost 50% of the surveyed enterprises choose to integrate certain processes of high value into shared services. These processes are mainly financial and statutory reporting, tax analysis, tax filing and treasury operations. It can be explained that, in fact, these processes are closely interrelated with other transactional processes, and hence can be easily standardised as well. Processes having close connection with business will not be included in shared services, such as financial planning and analysis, forecasting, etc. (Figure 6: Analysis on the management models applied in high value activities)

It is worth mentioning that during our interviews with the leading enterprises, some of them have specifically mentioned that they have integrated the function of capital management into their FSSCs, such function, in particular, includes financial risk management, capital operation management and financing platform management, covering most of the work in treasury management in general.

We may also look into the same findings from another perspective. By comparing the usage of outsourcing, outsourcing is less common for processes involving management decision or data confidentiality, such as financial planning and analysis, forecasting, treasury operations, internal audit, and risk management. It is also noted that some enterprises have outsourced their work in financial and statutory reporting, tax analysis, tax filing and other processes involving policies and regulations or professional knowledge. However, it does not represent a general trend. In order to ensure effective management decision-making and to avoid core data leakage, companies generally do not outsource business processes which may cause the risk of data leakage through outsourcing. However, while internal service sharing is unable to improve cost efficiency, processes requiring professional knowledge, which are also easily standardised, are more likely to be outsourced as better process management and quality control can be achieved through by the external service providers.

A large enterprise that currently deploys a hybrid model has decided to outsource the processes to external service providers who are specialised in such processes, a typical example being travel and expenses, while its own FSSC is responsible for processes which the company has the edge. For example, processes from procurement to payment are jointly handled by the external service provider and the FSSC of the company. They believe higher efficiency and lower costs can be achieved more effectively through such arrangement. The company has also introduced a bidding mechanism for external service providers in order to strive for higher efficiency.

Figure 6: Analysis on the management models applied in high value activities



Different FSS models meet the major business goals with significant effects

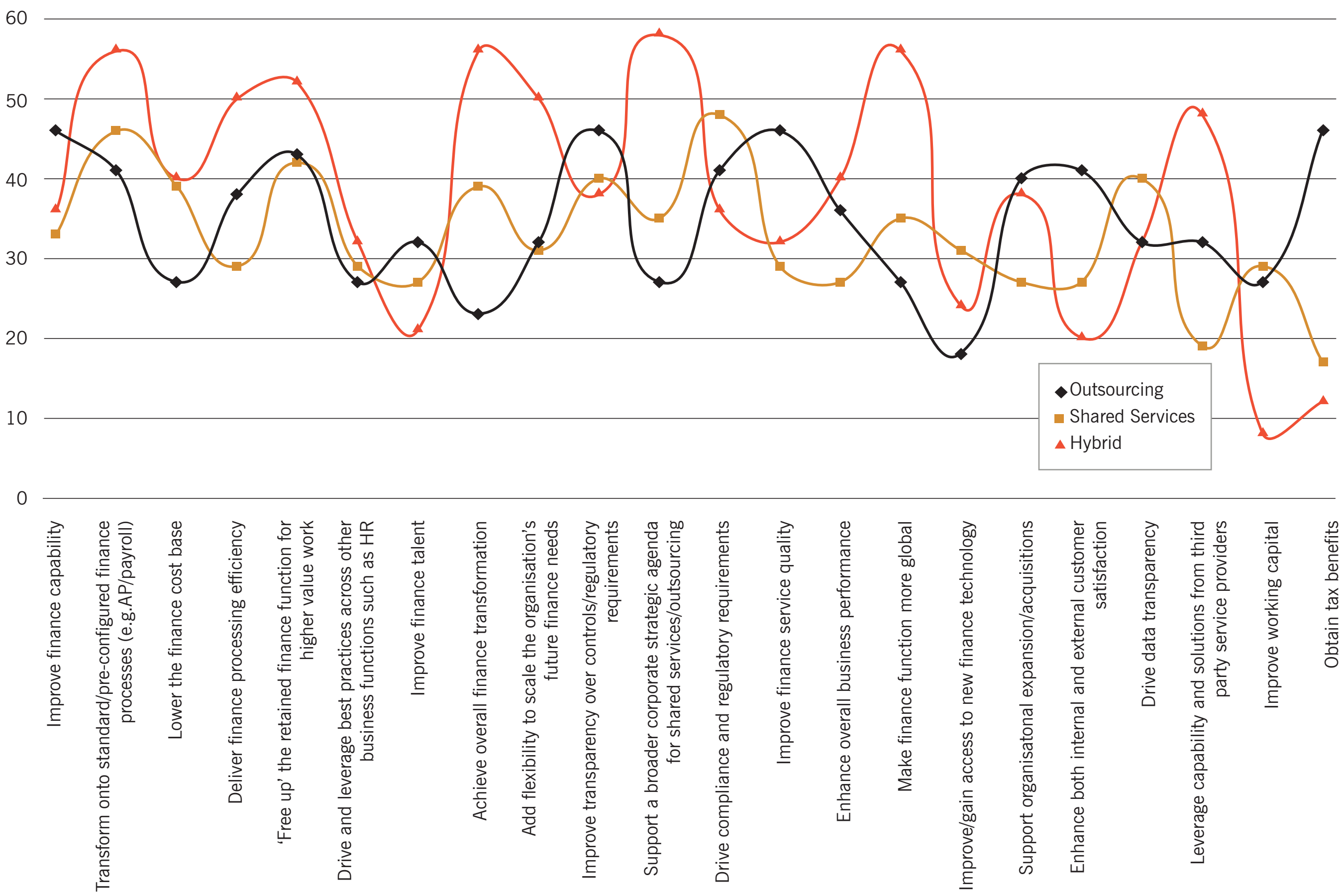
In the questionnaire, enterprises were asked about the priority goals for using FSS / outsourcing, more than half of them currently deploying FSS / outsourcing models believe that the most important business goals are: improving finance capability; transforming into standard / pre-configured finance processes; reducing financial costs; enhancing efficiency of finance processes; and leveraging the retained finance functions for higher value work. However, when compared to the surveyed enterprises which simply have plans to implement FSS / outsourcing, their focuses are different to a certain extent. (Detailed discussion in Part IV Objectives and challenges in FSS / outsourcing)

Almost half of the surveyed enterprises consider their models effective to satisfy the aforementioned top five important business goals. Among various models, the hybrid model is the most effective one which can satisfy a majority of these goals, in particular they are transforming into standard / pre-configured finance processes; enhancing efficiency of finance processes; and leveraging the retained finance functions for higher value work. Both the shared services model and the hybrid model demonstrate significant effectiveness in financial costs reduction, while outsourcing is the best for improving finance capability.

Comparing the effectiveness of shared services, outsourcing, and hybrid models in satisfying the business goals, over 55% of the surveyed enterprises with the hybrid model express that such model is 'effective' and 'very effective' in transformation into standard / pre-configured finance processes; overall finance transformation; and supporting a broader corporate strategic agenda for shared services / outsourcing; and globalising the finance function. Over 45% of the enterprises using shared services model believe that such model is 'effective' or 'very effective' in satisfying compliance and regulatory requirements and transformation into standard / pre-configured finance processes; where over 45% of the enterprises using outsourcing think that such model is 'effective' or 'very effective' to improve finance capability, transparency over controls / regulatory requirements, finance service quality and obtain tax benefits. (Figure 7: Effectiveness of different management models in satisfying various business goals)

Figure 7: Effectiveness of different management models in satisfying various business goals

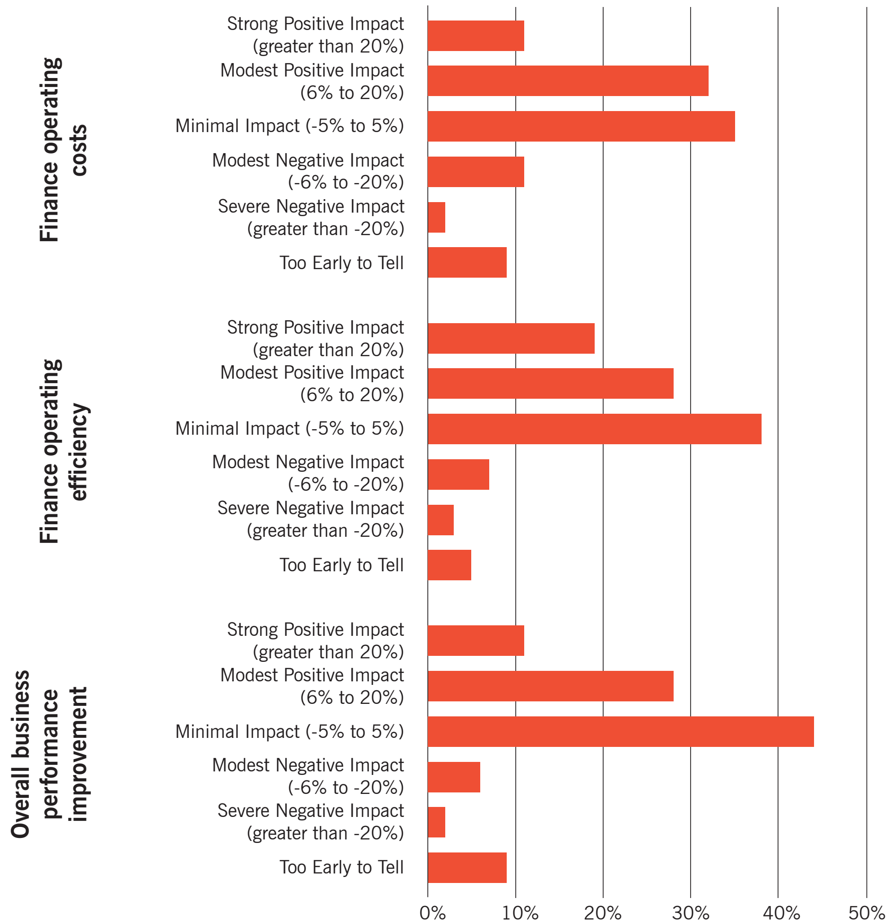
(% of respondents scoring 4 or 5 where 5 is very effective)



FSS brings positive impact on cost reduction as well as improvement of efficiency and overall performance

Based on the survey findings, analysis on the impacts brought by FSS / outsourcing on the finance operating costs and efficiency, as well as the improvement of business performance, has shown that nearly or over 40% of the surveyed enterprises agree there is a positive impact; while only about 10% disagree (Figure 8: FSS / outsourcing's impact on cost, efficiency and overall performance). Cost may remain as a key issue for enterprises to consider using shared services or outsourcing. We have observed that many FSSCs are often established in the same location as their corporate headquarters (such as Beijing, Shanghai and other first-tier cities). Human resources and operational costs are very high in these cities. Meanwhile, the pre-implementation cost for setting up a FSSC is also very high. Such problems could be solved by setting up the FSSC in central and western regions where the labour costs are low with sufficient human resources and comparatively advanced information technology.

Figure 8: FSS / outsourcing's impact on cost, efficiency and overall performance



Using well-developed methodologies, tools and indicators to measure, monitor and facilitate the FSS performance

What kind of tools do enterprises use to monitor the FSS / outsourcing performance? Similar to the global survey results, we have found that the three most common tools are finance dashboards, internal benchmarking of leading practices, and customers satisfaction surveys. (Figure 9: Monitoring tools used in measuring effectiveness of FSS / outsourcing)

Slightly different from the findings from the global survey, we discover that the use of comprehensive governance processes or Six Sigma amongst the surveyed Chinese enterprises is higher, at 28% and 15% respectively (while these ratios revealed in the global survey are 17% and 11%). Some interviewees suggested that benchmarking helps them to set up their FSSCs as it can introduce successful and advanced management concepts to management. In practice, the interviewees also focus on the continuous improvement of processes. Some leading enterprises specifically set up a process management team in their FSSCs, which will apply well-developed process management methodologies, such as Motorola's 'Six Sigma' and Toyota's 'Lean Management' to facilitate process standardisation and optimisation so as to improve the FSS performance.

How do enterprises measure the effectiveness of FSS / outsourcing? Similar to the global survey, our survey shows that cost reduction targets (60%) and service level agreements (SLA) (58%) are the most common indicators in practice. Although, as shown in both surveys, applications of targets on investment returns, profit contributions or impact on shareholders' values (EPS) are rarely used by Chinese enterprises, they are more foucsed on business impact analysis (36% vs 17% in the global survey) (Figure 10: Indicators for measuring FSS / outsourcing effectiveness). During the interviews, improvement of efficiency and quality, as well as information quality and transparency are considered important by the interviewees in assessing the effectiveness of FSS / outsourcing.

Figure 9: Monitoring tools used in measuring the effectiveness of FSS / outsourcing

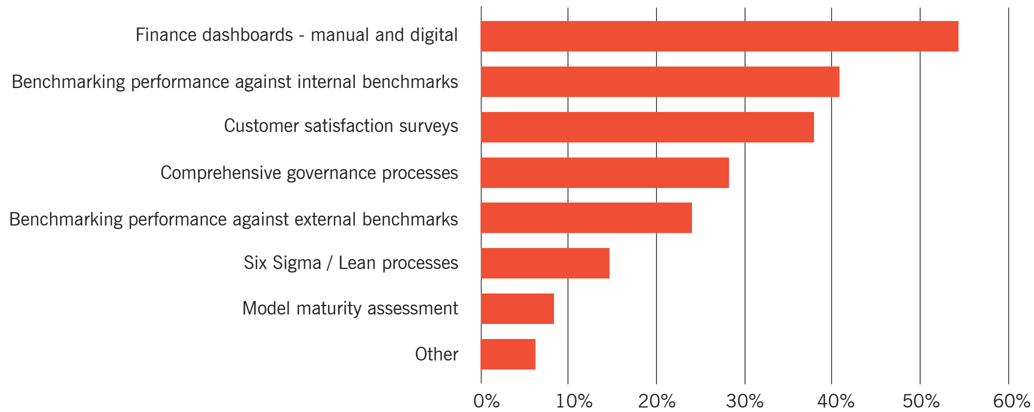
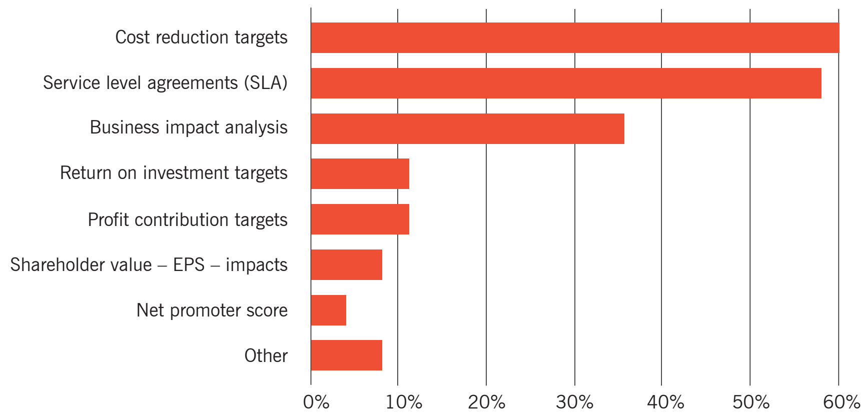


Figure 10: Indicators for measuring FSS / outsourcing effectiveness



Part 3 Analysis on enterprises that have yet implemented FSS / outsourcing

More enterprises are considering and planning to use FSS
60% of the surveyed enterprises have yet implemented FSS / outsourcing. However, 15% of them are planning to implement FFS / outsourcing in two to five years, while 20% of them have such intention but without a clear plan. Nearly half of them do not have any plan to implement FFS / outsourcing, and 17% have no idea at all. (Figure 11: Future plans of enterprises currently not using FSS / outsourcing)

Well-developed regions are favourable locations for FSSCs
Among the respondents with intention to use FSS / outsourcing, 39% of them choose to locate their shared services or outsourcing centres at the same location as the corporate headquarters, while 52% choose to set up their FSSCs in cities with existing well-developed shared services centres (Figure 12: Selection of FSSC locations). It shows that enterprises have a precise measurement and referencing factors for their selection of FSSC locations.

It is common for companies to set up the FSSC at the same location as their headquarters in the early stage of implementation for convenient communication and management. In the cities such as Beijing, Shanghai, Guangzhou, Dalian, Tianjin and Suzhou, with well-developed shared services centres, as shared service centres there have been established for over ten years, there is an overall high quality in shared services. Given the rising costs in human resources and operations in these first-tier cities (in particular Beijing, Shanghai and Guangzhou), enterprises have started looking at the second or third-tier cities as alternatives with lower costs. Development of information technology and shared services incubation facilities allows the establishment of shared services centres in regions with lower costs. It is worth noting that Chengdu, Xian, Wuhan, Hangzhou and Wuhu could be some of these alternatives.

Based on the interviews, we have identified different models for location selection of shared services centres. Some interviewees set up their shared services centres at the same location as their headquarters without any immediate plan to set up another centre elsewhere. These companies are keen to fully utilise resources from the headquarters to train the FSSC personnel. The centres serve as a talent pool and training platform for finance personnel. We understand that some interviewees require their new recruits of the finance team to receive training at their shared service centres, in order to help them getting familiar with business quickly and systematically by means of the features of business professionalism and processes segregation of the shared services centres. They wish to increase the efficiency in finance talents development for future needs. One of the interviewees clearly expressed that training future finance managers with solid accounting knowledge and thorough understanding of the company's business is an important direction for talent development for FSSC.

Figure 11: Future plans of enterprises currently not using FSS / outsourcing

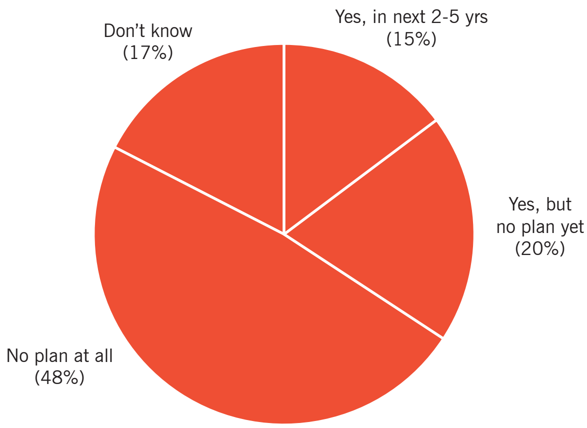
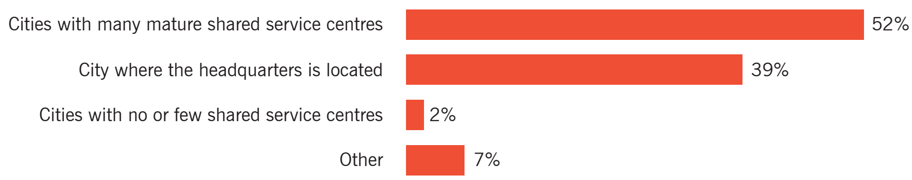


Figure 12: Selection of FSSC locations



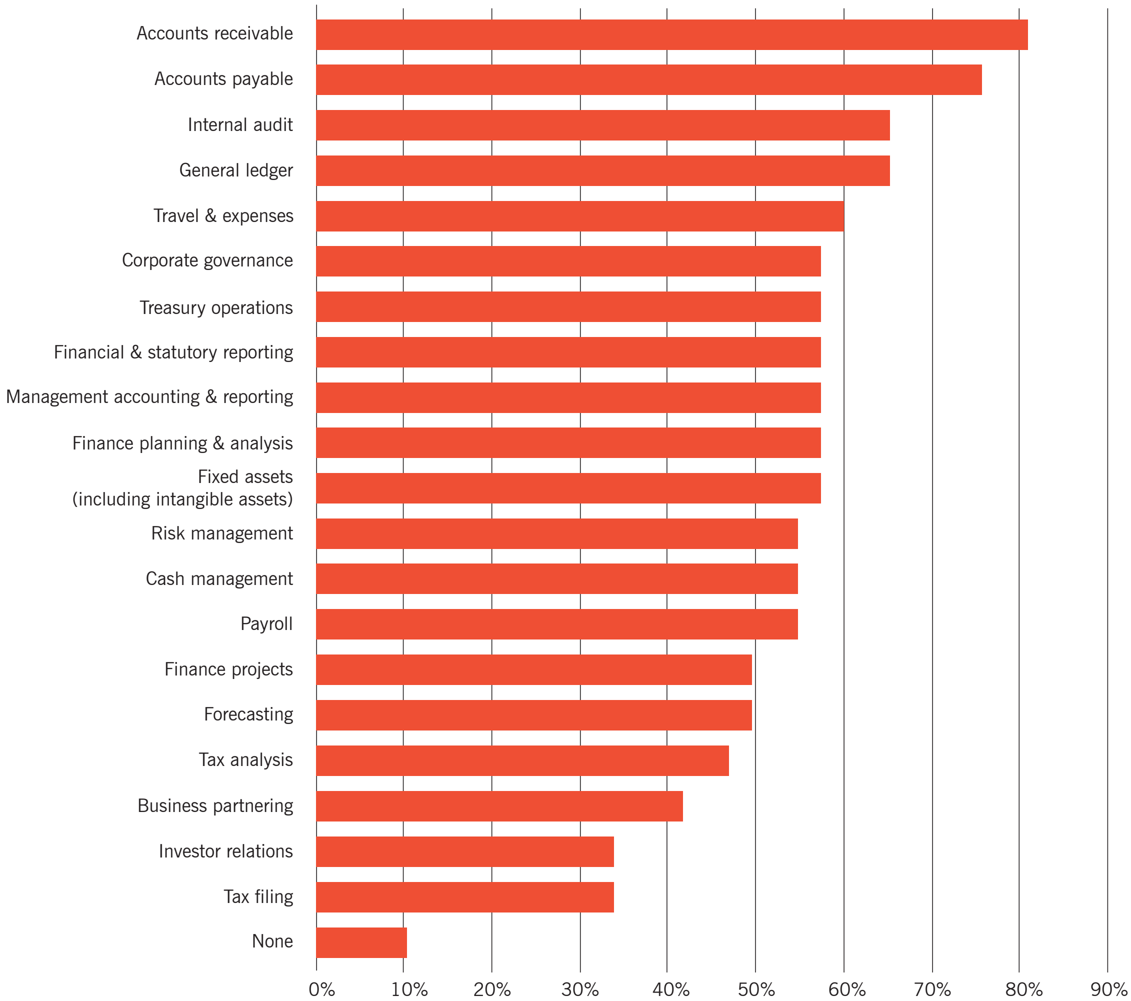
Some enterprises decided to set up their FSSCs in the Midwest region after identifying the ideal cities based on certain criteria. One of the interviewees has set up several centres across the country. In addition to the comprehensive management centre in Shanghai, it also has six operation centres in Shenzhen, Suzhou, Chengdu, Meishan, Neijiang and Luoyang. The company has a mechanism for location selection, which can identify the cities suitable for setting up shared service centre based on certain criteria, including the local economy, the consumption level, the number of schools, talents level and other indicators.

In addition to lower costs, the overall quality and availability of local talent should also be considered in selecting a location for FSSCs. Setting up FSSCs in cities with a pure consideration of human resources costs always cause a lot of problems, if the local experience and talents pool may not be sufficient to meet the requirements. Therefore, enterprises may focus on these three main aspects: human resources, infrastructure, and economic landscape. Assessment of human resources requires considerations on the availability of professional skills, education level, mobility and labour costs in a particular location. For infrastructure and economic landscape, one should focus on real estate prices, the natural environment, quality of telecommunications (costs of telephone / network) and other factors.

Enterprises generally believe that efficiency of transactional processes can be improved by FSS / outsourcing

From the perspective of enterprises currently not using FSS / outsourcing, what processes can be handled more efficiently by shared services or outsourcing? Most of them agreed that the top five processes are those in relation to daily businesses, including accounts receivable, accounts payable, internal audit, general ledger and travel and expenses (Figure 13: Processes which can be effectively handled by FSS / outsourcing). It shows that companies with plans to use FSS / outsourcing focus more on the benefits from processes centralisation.

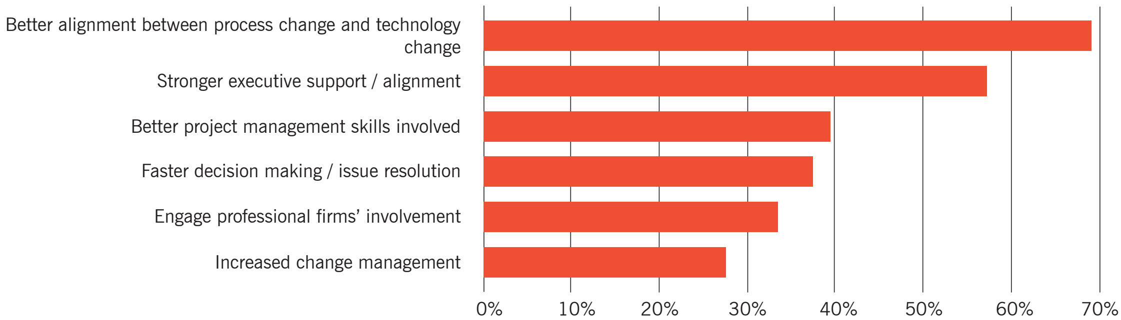
Figure 13: Processes which can be effectively handled by FSS / outsourcing



IT facilities are key to successful implementation of FSS

Enterprises planning to implement FSS / outsourcing regard better alignment between process and technology variations; stronger executive support / alignment; and better project management skills as the top three indicators of successful implementation (Figure 14: Indicators of successful FSS implementation). It is obvious that these surveyed enterprises aim to support their core businesses and to enhance operational efficiency through FSS.

Figure 14: Indicators of successful FSS implementation



Part 4 Objectives and challenges in FSS / outsourcing

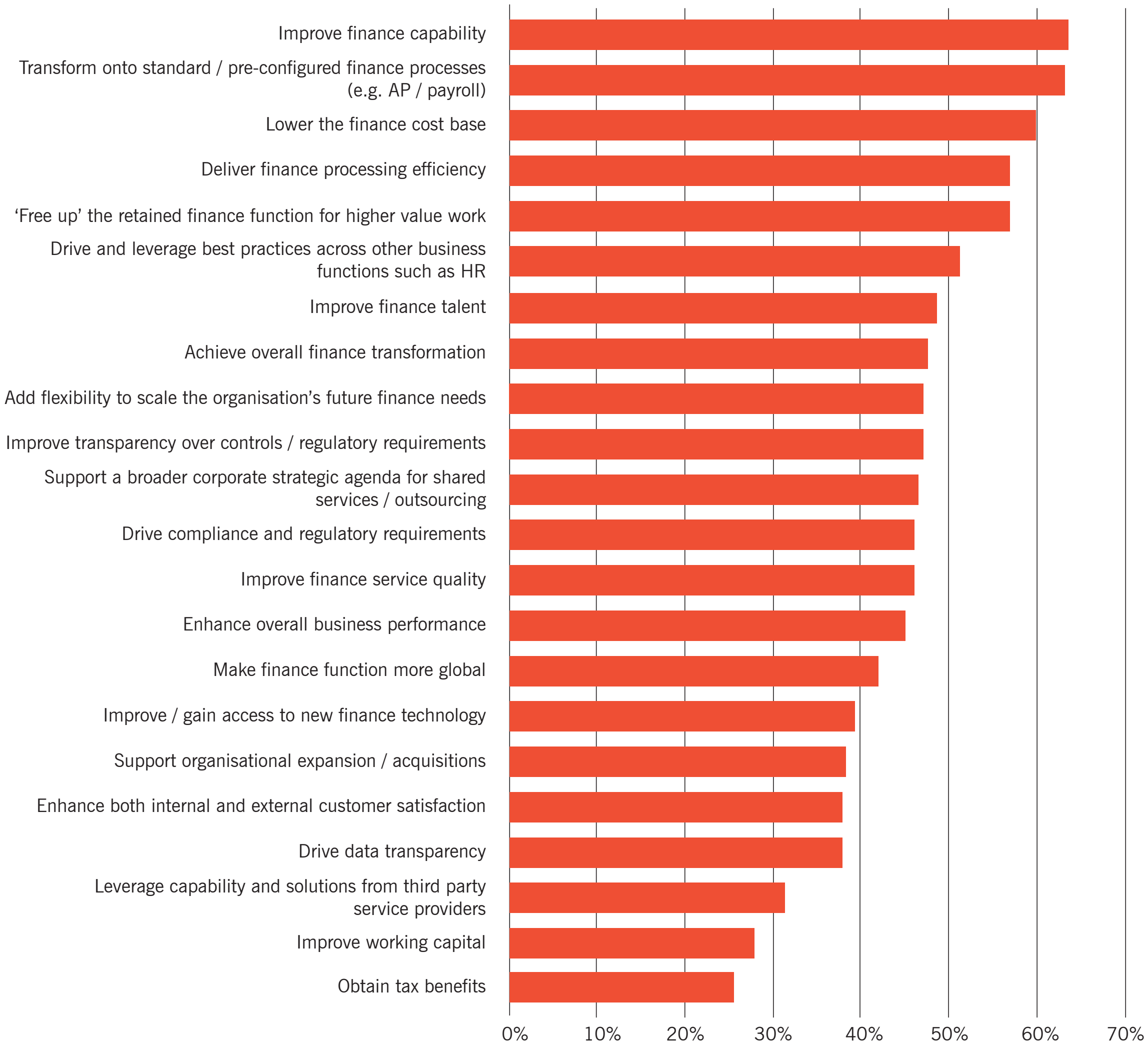
Companies currently using FSS primarily focus on standardisation and capability enhancement

This survey has shown that enhancing finance capability, transforming into standard / pre-configured finance processes, and reducing the cost of finance are the priority business goals for companies currently using FSS / outsourcing (Figure 15: Ranking of initial business goals for companies currently using FSS / outsourcing). In addition, over 50% of the surveyed enterprises also consider enhancing efficiency of finance processes; leveraging the retained finance functions for higher value work; and facilitating and leveraging the best practices in different business functions as priority business goals.

The result is slightly different from the global survey findings. According to the global survey, companies using FSS / outsourcing regarded enhancing efficiency of finance processes; reducing the costs of finance; and enhancing the overall performance of the business as the three major goals. Such difference can be explained by looking at the characteristics of the development in China. Capability and quality of finance personnel in different regions vary significantly; in fact many Chinese companies have yet implemented a company-level ERP platform; in addition, the frequent merger and acquisition activities aiming for a rapid growth altogether has led the companies to pay significant attention to process standardisation. Such result can be verified by our interviews findings. Some interviewees stated clearly that the standardised processes in FSSC which facilitates mergers and acquisitions, is an important way to support the company achieving rapid growth.

Figure 15: Ranking of initial business goals for companies currently using FSS / outsourcing

(% of respondents scoring 4 or 5 where 5 is extremely important)

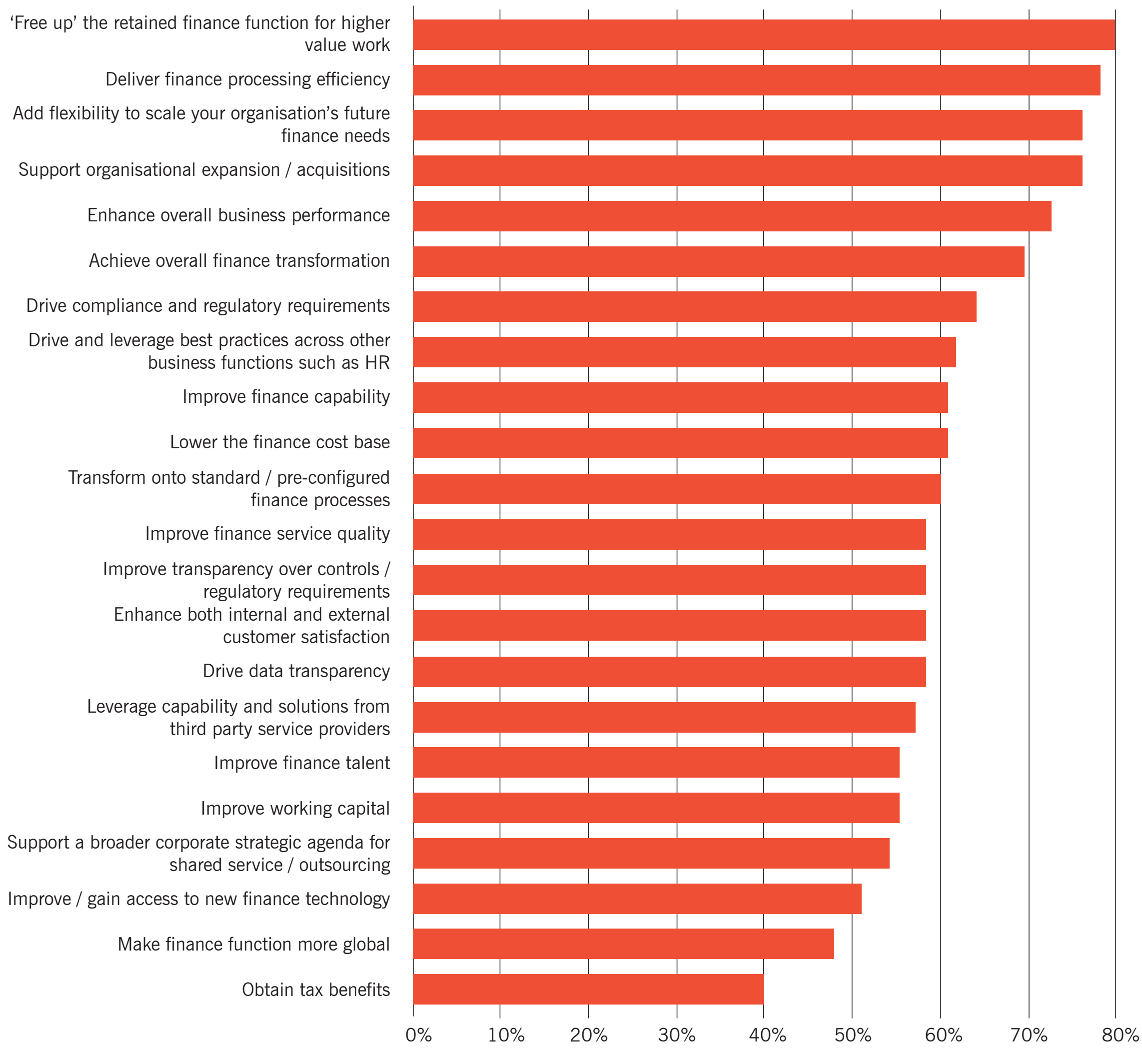


Companies planning to implement FSS / outsourcing care about their core business the most

For companies planning to implement FSS / outsourcing, what business goals are they aiming to achieve? According to the survey findings, the top five business goals are leveraging the retained finance functions for higher value work; enhancing efficiency of finance processes; increasing flexibility to meet corporate finance needs in the future; facilitating organisational expansion / acquisitions; and enhancing the overall performance of the business. These goals demonstrate the expectation for FSS / outsourcing remains very high. These enterprises also have some theoretical understanding, to a certain extent, on the changes in organisational structure and transformation of the finance functions driven by FSS / outsourcing. (Figure 16: Ranking of business goals by companies currently not using FSS / outsourcing)

Figure 16: Ranking of business goals by companies currently not using FSS / outsourcing

(% of respondents scoring 4 or 5 where 5 is extremely important)

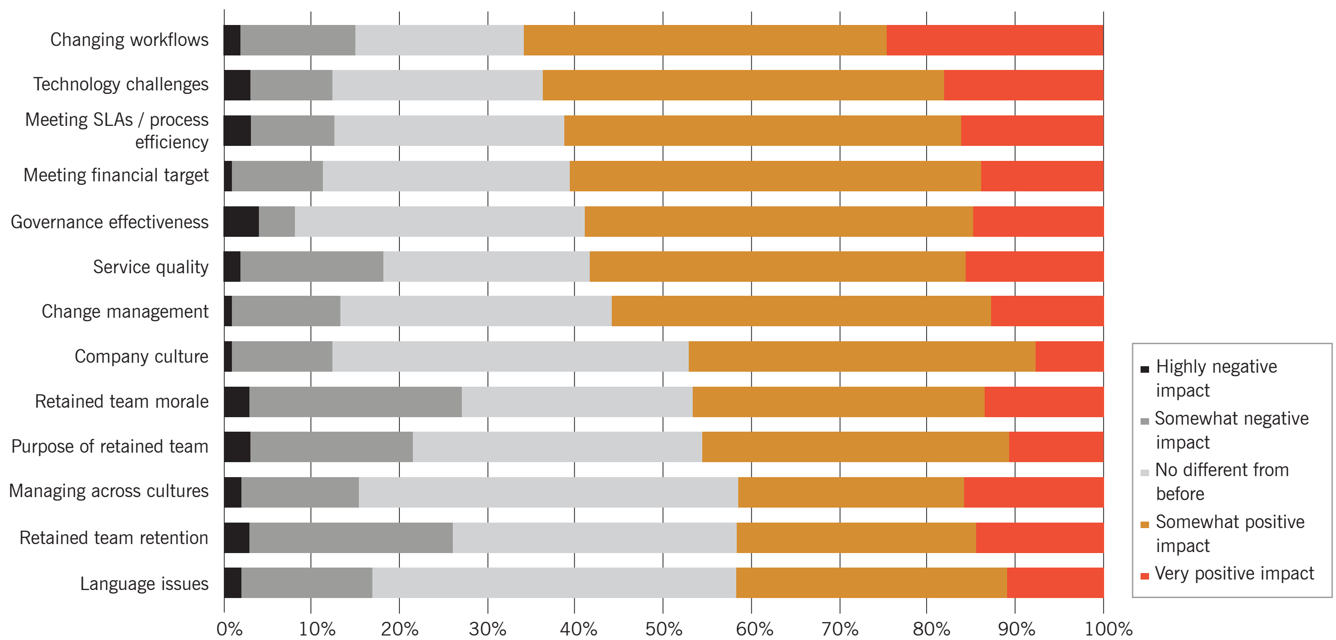


Service quality is the most concerned challenge in FSS implementation

About 60% of the surveyed companies believe that their companies can effectively resolve the challenges in these four main aspects: changing workflows, information technology, achieving SLAs / process efficiency and meeting financial target. According to the global survey, changing workflows, governance effectiveness and change management have been regarded as the top three challenges. (Figure 17: Impact of FSS / outsourcing on critical challenges)

Consistent with the global survey, only 40% of the surveyed companies believe that they are good/very good at resolving the challenges in cross-cultural management, staff retention and language issues. We understand that, for some large multinational companies with business in minority language-speaking jurisdictions, due to cultural differences, FSS employees may have to review original supporting documents in Arabic, Persian and Turkish. Lacking qualified employees who are able to master these languages as well as Chinese and English is always a bottleneck for businesses.

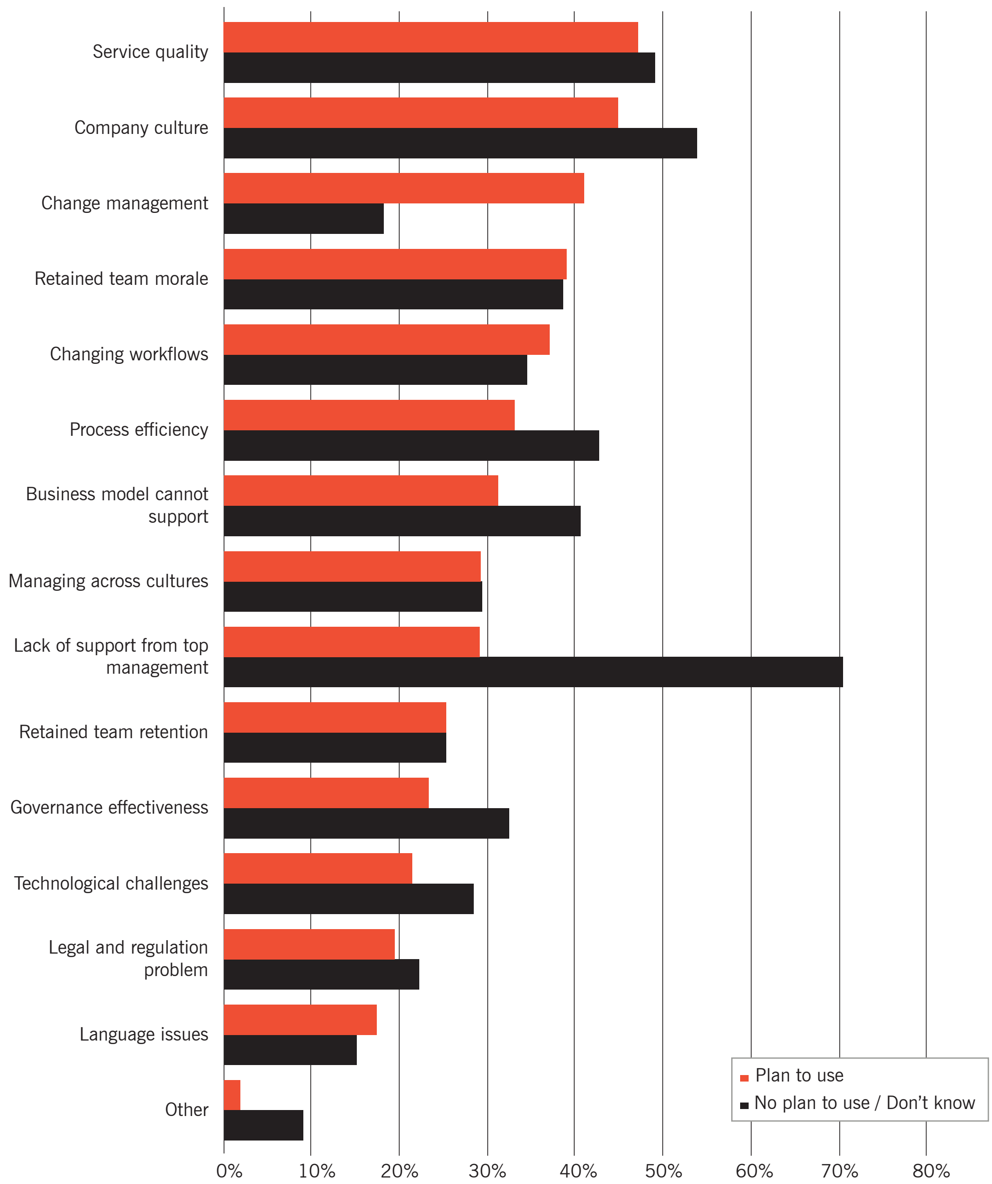
Figure 17: Impact of FSS / outsourcing on critical challenges



Different from companies without any plan to implement FSS / outsourcing, companies planning to set up FSCCs or outsourcing program, according to the survey findings, consider service quality, corporate culture, change management, maintaining team morale and changing workflows as the top five challenges; while the top five challenges for companies without any plan to implement FSS / outsourcing are lacking top management support, corporate culture, service quality, process efficiency and business models' incapability to support. (Figure 18: Major obstacles in FSS / outsourcing strategies)

Both of the above enterprises do not currently deploy FSS / outsourcing, they both highly concerned with the service quality as well as the necessary changes in corporate cultures. For companies planning to implement FSS, they are more concerned about specific challenges during implementation; while for those who do not plan to implement FSS, they should ascertain management support and compatibility of the business models for FSS / outsourcing. These feedbacks clearly demonstrate that Chinese enterprises have a clear understanding of FSS / outsourcing as well as the necessary changes, whether or not they have any plan to implement FSS / outsourcing.

Figure 18: Major obstacles in FSS / outsourcing strategies



FSS team formation, talent transformation, recruitment and development capture the attention of finance leaders

Talent management is an important issue for successful establishment of FSSC, which is also a critical challenge faced by Chinese enterprises. Setting up a FSSC or outsourcing program will cause significant changes to the organisational structure of the finance department, where finance staff are scattered in different business units and spend a lot of time on fundamental accounting work. Finance staff can become more specialised in their jobs so as to provide better support to the business. Among the interviewees, a leading enterprise suggested the following division of labour: 70% in business finance, 20% in shared services and 10% in technical finance. Another company indicated that its finance personnel were grouped into the finance headquarters which was responsible for strategy development, business finance which plays the role of a business partner, and the FCCS.

These changes and development of the finance department certainly bring an enormous impact on the current finance team. Movements of certain employees are inevitable. The survey reveals that the top five human resources challenges for those currently using FSS / outsourcing are: ensuring staff quality and efficiency, recruiting and retaining qualified management staff, career planning and promotion, change management and cross-cultural management. (Figure 19: Human resources challenges for FSSC implementation perceived by companies currently using FSS / outsourcing)

For those companies currently not using FSS / outsourcing, the top five human resources challenges are similar, i.e. recruiting and retaining qualified management staff, change management, maintaining team morale, ensuring staff quality and efficiency and career planning and promotion. (Figure 20: Human resources challenges for FSSC implementation perceived by companies currently not using FSS / outsourcing)

Figure 19: Human resources challenges for FSSC implementation perceived by companies currently using FSS / outsourcing

Figure 20: Human resources challenges for FSSC implementation perceived by companies currently not using FSS / outsourcing

In order to address the above issues, enterprises should have detailed plans in the process of FSS / outsourcing implementation. One of the interviewees included the relevant positions and personnel in various processes into its FSSC for management at different levels according to their capabilities The core team of FSSC comprises staff with experience in innovation and processes, who will help the FSSC to initiate its implementation at different stages on a process-oriented basis; whilst staff with operational experience are arranged to manage transactional activities. The core team is the foundation of the FSSC, team members should have a strong sense of accountability, as well as high level of cautiousness and patience. Companies should encourage other staff to strive to become the backbone for the business. During the interview, a company suggested that talent and team building is a long term process, so as for talent transformation and enhancement. Being overly aggressive usually leads to ineffective outcomes. The company has also identified an important direction for FSSC staff management: to develop finance managers with solid basic accounting knowledge and thorough understanding of the company's business.

Shared services facilitate realisation of finance transformation goals

The survey reveals that companies using FSS / outsourcing suggested that, finance process re-engineering; internal control and risk management; cost optimisation; planning, budgeting and forecasting; and development of finance personnel's capability are the top five strategic priorities in finance transformation (Figure 21: Top five strategic priorities in finance transformation perceived by companies currently using FSS / outsourcing). For enterprises planning to use FSS / outsourcing, the priorities are cost optimisation; development of finance personnel's capability, internal control and risk management; performance management and business intelligence; and planning, budgeting and forecasting. (Figure 22: Top five strategic priorities in finance transformation perceived by companies planning to implement FSS / outsourcing)

The results reveal that Chinese enterprises are more focused on cost reduction, development of finance personnel's capability, as well as internal control and risk management enhancement. Based on the interviews, we understand that enterprises currently using FSS / outsourcing consider FSSC effective to achieve the above priorities. Besides, we also find out that, to certain extent, FSS / outsourcing is also regarded as an ideal means to achieve the goals perceived by enterprises planning to implement FSS / outsourcing. In particular, FSSC can facilitate cost reduction, which is a critical issue in corporate strategy for the future.

Figure 21: Top five strategic priorities in finance transformation perceived by companies currently using FSS / outsourcing

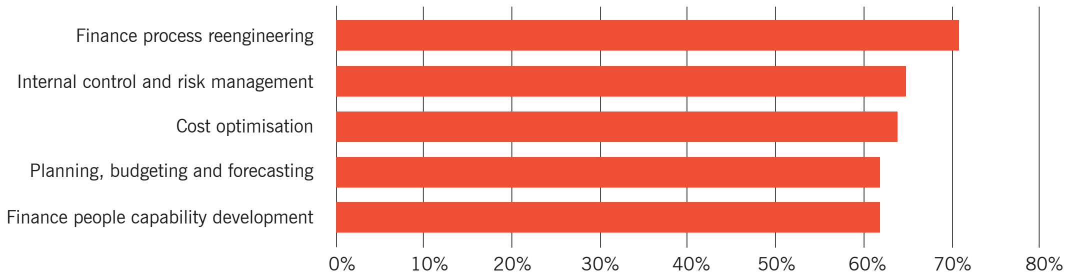
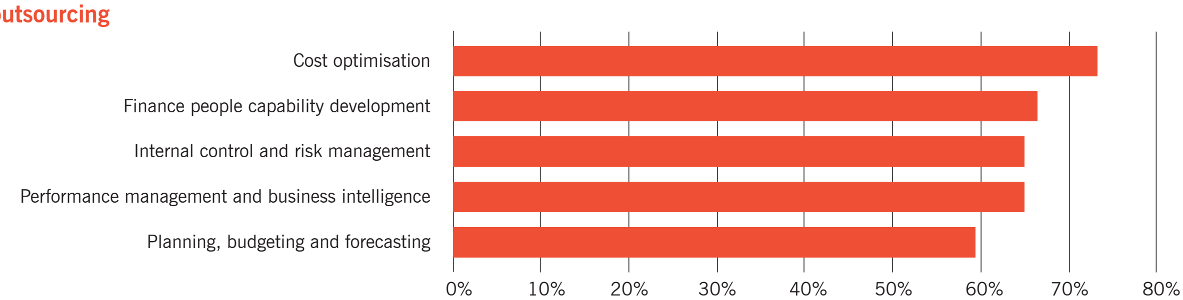


Figure 22: Top five strategic priorities in finance transformation perceived by companies planning to implement FSS / outsourcing



Part 5 Conclusion

Based on this survey conducted jointly by ACCA and Deloitte Consulting, it has been discovered that Chinese enterprises already understand the concept of FSS / outsourcing in details, as well as the necessary organisational restructuring in order to facilitate FSS / outsourcing.

The survey also reveals certain characteristics of Chinese enterprises. They are highly focused on process centralisation and international best practices. They aim at improving overall finance management capability through FSS implementation. In addition, they also know very well the challenges in human resources arise from FSS / outsourcing. At the same time, they are fully aware of the fact that finance personnel movement, training and an effective mechanism for staff cultivation always take time.

Currently, FSS in Chinese enterprises remains limited to frequent transactional processes, which can be easily standardised. It shows that enterprises still focus on the improvement of efficiency due to processes centralisation and standardisation. Regarding most of the high value activities, Chinese enterprises still prefer to retain them within the management of group corporate finance and business finance. To conclude, a common understanding among Chinese enterprises is basically established: to improve the efficiency of finance processes through application of FSS models and processes standardisation, so that more finance personnel can focus on high value work. By doing so, transformation of the finance function can be facilitated which will eventually drive the overall increase in corporate value.

During the interviews, we have also noticed that some companies have started exploring the next course of actions aiming to further optimise and broaden the scope of FSS, such as expanding to high value activities and shifting from ‘business processing centre’ to ‘centre of excellence’. Perhaps it will become a direction for FSSC development in the future.

Appendix: Case Studies

Baosteel: Aiming for management efficiency with rapid business growth supported by standardised processes

Baosteel Group's Finance Shared Service Centre was established in 2009 first on a trial basis at Baoshan Iron & Steel Co. Ltd. After one year, the centre was relocated to Baosteel Group and it offers accounting services to the subsidiaries of the Group at the same time. The reason for setting up this shared service centre was to satisfy the increasingly stringent requirements for corporate management given the global economic downturn in 2009. Baosteel Group's management precisely asked for a more effective management. A series of management reforms were implemented, and the finance shared service centre was part of the reforms.

Based on the principle of management efficiency, Baosteel implemented job specialisation in finance management: the headquarters' finance division is responsible for strategy development; the business finance acts as a business partner; while the shared service centre is positioned as a more specialised facility to execute efficiency enhancement. The shared service centre also has a precise objective in management to improve the Group's overall administrative control; and support the company's needs for rapid business growth and expansion through rapid duplication of standardised finance management model. At the same time, it also helps improving the management of its subsidiaries.

Currently, there are 235 employees in the Group's shared service centre, supporting the accounting process of its primary business, representing 70% of the Group's revenue. It also serves all its member enterprises involved in its main business – iron and steel. Besides the 68 enterprises based in Shanghai, it serves an enterprise in Hong Kong and another in Singapore.

Practical operations

As an important part of the Group's finance department, Baosteel Finance Shared Service Centre consists of eight divisions:

- procurement and payment
- sales and collections
- expenses
- receipts/invoices for tax purposes (including scanning centre)
- special services
- general ledger and financial statements
- system support
- operations

Baosteel's shared service centre is a typical one covering all the main accounting processes that can be shared, currently with 242 sub-processes corresponding to 242 positions.

At the beginning of its operation, the shared service centre introduced some standardised processes, such as accounting-related subjects and processes, with full consideration of the separation of physical document flow and information flow. Nowadays, personnel from the centre will conduct accounting treatment based on the scanned images, while there is a scanning centre in the division handling receipts/invoices for tax purposes. The originals are delivered from Baoshan area to the scanning centre in person; which will be returned to the respective business units for filing purposes after scanning.

Given the complexity of Baosteel's operations, the finance system of the shared service centre has to connect with more than 60 business systems. Therefore, it requires great flexibility. In 2008, Bashan Iron & Steel Co. Ltd. implemented an IT system integration which provides fundamental technical support to the shared service centre during the post-implementation stage.

Baosteel's management is fully aware that optimisation of processes and system requires continuous updates. They therefore specifically set up an internal system support and operation team in the shared service centre. The team is mainly responsible for identifying processes to be optimised and organising other relevant projects. In view of the long processes in Baosteel's internal management, the centre has fully emphasised the importance of process management and optimisation since its establishment, building the foundation for stable organisation and standardisation of processes at the later stage. After a series of process optimisation and system innovation, the centre has now increased the service efficiency by 50%, which has also met the target of management efficiency enhancement set by the Group. Introduction of standardised accounting processes and strengthened management control are the additional benefits arise from the implementation of the shared service centre.

As part of the plan in setting up a FSSC, one should consider the typical features of the business. It may not be appropriate for all the processes to be centralised. Baosteel is fully aware of the fact that both production and business processes in iron and steel industry always take long. Personnel who are responsible to verify costs should therefore keep close to the business. In addition, cost verification for different product lines is rather complicated. Shared service is not appropriate for these processes. Hence, cost verification is not covered by the shared service centre. Similarly, credit management is not included in shared service either, while it is managed by the various business finance divisions under the various business units.

Setting up a shared service centre is a long-term project, which requires adequate concepts in management and consultations with full participation of finance staff.

'Baosteel shared service centre is still at the implementation stage; it has a long way to go. Management in this project should not be overly aggressive, while it is very important to adopt a scientific and reasonable approach to develop the shared service step by step.'

Lu Yimei, General Manager, Baosteel Finance Shared Service Centre

Haier: The integrated ERP platform strengthens processes optimisation, transforming the operation centre into a knowledge centre

In order to align with the company's overall strategy, Haier's finance department was reorganised in 2006. The original business finance unit for each product was divided into three centres: accounting centre, costs centre and operations centre. Given the growth and development of Haier, the company initiated the business process re-engineering projects throughout the organisation in 2007. Haier's FSS is a critical pre-requisite for the transformation of its finance management model. The accounting centres of all business units have been integrated. The company first physically centralised the business units in Qingdao, which is the location of its headquarters. It then further extended to business units outside Qingdao. The whole process lasted for three to four years. Haier established its sharing centre for the purpose of driving efficiency in finance management, improving quality control of financial information and reducing financial risks in a more effective manner.

The current finance model of Haier is developed by re-engineering projects and the implementation of the information platform in its shared centre. Finance staff are divided into three categories. The first category is strategic finance, which includes the Group's direction, routes, policies, resources and risks concerning financial issues; the second category is FSS, which is responsible to provide efficient and compliant accounting services to the Group through internet resources integration and development of cloud management. The third category is business finance. After centralising a majority of the processes, Haier's finance system mainly interacts with its business, offering support to the business development with their expertise. Currently, 70% of the finance staff act as business partners, 10% are working on technical issues including taxation, cash and risk management. 20% of them mainly deal with transaction processing as a manager of capital, performance (data) and risk management.

Practical operations

The internal organisational structure of the Haier FSS completely conforms with the finance processes. It serves 10 processes and 120 sub-processes covering accounting related issues. The centre is comprised of nine different teams at the operational level, dealing with the specific processes:

- cash management
- tax filing
- receipt and payment services
- tax invoices
- general ledger and financial statements
- accounts settlement
- assets accounting
- fees auditing
- accounting policy (quality control)

In addition to the accounting process which is commonly included in shared services, Haier also allocated cash management in its shared service centre. It reflects Haier, as a so-called white goods / household appliance manufacturer, has significant focus on cash and working capital management. The cash management team is mainly responsible for the management of financial risks, working capital and financing, namely, the treasury in common sense.

As part of the global supply chain management, cost management should be closely connected to the business in order to ensure accuracy of the cost data. Therefore, Haier does not include cost management in shared services, instead the process is assigned to individuals within the related business units.

Haier has internally agreed that management is process-oriented. Haier's shared service centre carries out process management in its daily work in a process-oriented approach and generates high quality information and data. Process standardisation helps improving the Group's control as well as the transparency of information and efficiency of the operations of processes continuously.

The constant process optimisation is also a priority in Haier's shared services. Besides the process management teams, there is also a quality assurance team of three to four employees in the service centre, who are mainly responsible for process operation and optimisation. The quality assurance team members are the core members in the process team as well, who are responsible for organising core members of all process teams for process innovation projects.

Haier's experience proves that a solid IT system is the key to efficiency enhancement.

In future, Haier's Finance Shared Service Centre will transform from an operational centre into a knowledge centre.

'The rapid development of Haier's shared service centre mainly attributes to Haier's top management's support and decision on driving the finance reorganisation and process re-engineering. However, in practice, one should realise that the development of shared service centre is a long term process and continuous improvement is needed. When facing problems and challenges, communication with the related business units is inevitable. Sufficient time is required to ensure a better understanding of new processes and ideas.'

Shao Xinzhi, Accountant General and the General Manager, Haier Finance Shared Service Centre

Huawei: A global network of shared service centres supports global business development

As a supplier of products and solutions applicable in over 140 countries, Huawei Group's financial organisation focuses on how to better serve the Group's international development. Since 2006, Huawei Group has established integrated systems and standards globally. It set up seven regional finance shared service centres. The establishment of these centres and improvement of the network of shared service centres strengthened the headquarters' financial control over its global business, which guarantees effective execution of internal finance control. By continuous efforts in process standardisation and simplification, the operational efficiency of the finance specific processes has been significantly enhanced, leading to an excellent and professional financial functions and a leading practice in lean management.

With the establishment of a global shared service network, Huawei has created a global standardised financial accounting and management accounting platform, which provides the fundamentals for safeguards of financial resources and risk control of Huawei's business development in the past decade.

'The primary objective of shared services is not cost reduction, but an effective means of financial control. The ultimate goal of finance shared service is to serve the business. Hence, the operational model of shared services should be coordinated with the business.'

Kent Leung, Director of Revenue Business Centre, Huawei Group

Ping An: Ping An Group's back office support centralises in its shared services

'Building a leading international integrated financial services group' is the strategic goal of Ping An Group. Its business spans across insurance, banking, investment and other financial services. With the size and complexity of Ping An's business, how can it achieve its goal with the many subsidiaries adopting the same standards while maintaining efficiency, and having the risks controlled while cost reduced? In the early 21st century, Ping An began to implement the strategy of centralising its back office support, with the introduction of the concept of shared service centre. It aims at centralisation of all back office functions of all individual subsidiaries. With the shared service centre, Ping An centralised the management of its organisation, personnel, information and systems in order to achieve the objectives of uniformed standards, cost reduction, efficiency improvement and risk management.

Ping An started to build its back office in Zhangjiang, Shanghai in 2004. In 2008, Ping An Processing & Technology (Shenzhen) Co., Ltd (hereinafter referred to as PAP&T) was formally established. In less than a decade, PAP&T has become a leading domestic shared service centre with a relatively long history, large scale and comprehensive coverage of services. It provides Ping An and its subsidiaries with back-office operation services in the form of outsourcing, covering management of system application and maintenance, IT support management, software development, call centre service, data processing, credit review, overdue payment follow-up as well as settlement for its banking and financial services business, economic information consultation, bookkeeping and translation services.

As a leading enterprise amongst the Chinese service providers for the financial service industry, PAP&T follows a market approach in the negotiation of the price of services provided to the Ping An subsidiaries, which is based on service quality, timeliness, capacity and costs. This arms-length mechanism has played a significant role since 2008. PAP&T has expanded its service scope and its operation costs against the group's total revenue keeps reducing.

Ping An Group's finance in its shared service centre

The finance shared service platform is an important part of PAP&T's shared service centre. Given the generic nature of finance, it's easy to be shared. Centralising the finance functions was one of the earliest back office centralisation projects for Ping An. Within the framework of PAP&T, the finance processing centre is responsible for the operation of finance shared service. It served Ping An Life Insurance as a trial at the early stage before it expanded to offer services to other subsidiaries in the field of insurance, banking and asset investment. In 2012, it covers all of the 25 subsidiaries within Ping An Group.

The finance shared service platform covers mainly accounting services and cash management services. Under the shared services model, each subsidiary sends to PAP&T their financial tasks that can or should be centralised. PAP&T will then split or group these tasks for various teams to handle according to customers' requirements. The core features of this model are standardisation and simplification of the complicated tasks supported by advanced IT systems. The simplified tasks can then be re-consolidated to help reducing costs.

The initial scope of the finance processing centre only covered claims of expenses, which was later extended to receipt and expenditure of funds and accounting, general ledger accounting, account opening and alterations, investment delivery, fixed assets updates and reporting, tax filing and even the valuation for investment products. The shared finance service platform currently has 17 service teams and 45 service types. Nearly 7 million service items are provided via this platform in 2012, with a total volume of RMB700 billion, making it an indispensable part of the overall value chain.

In addition, for some smaller subsidiaries of the Group, the finance processing centre tries to promote the 'full mandate model', that is, in addition to accounting and cash management, the centre will also take care of tasks such as budgeting, preparation of financial statements, tax filing, treasury audit, providing a full range of finance management services.

Given the increasing operating costs in Shanghai and the systemic risk of operating in a single region, there are now four sub-centres in Shenzhen, Chengdu, Neijiang and Hefei to reduce costs and to diversify risks. The five centres have different priorities: the Shanghai centre, as the management hub, is in charge of the overall planning, operation management, business contact, key cash settlement business, and provides on-site services to the headquarters in Shanghai; the Shenzhen centre provides on-site services to the regional headquarters in Shenzhen, as well as budget review and investment-related cash settlement service; the sub-centres in Chengdu, Hefei and Neijiang are mainly responsible for standardised accounting and cash settlement services. In case of sudden interruption in one sub-centre, other centres can quickly take over in order to ensure business continuity and to avoid any critical adverse impact on the entire business operation.

With an operation model of the centralised shared service centre and its sub-centres, the effective setting of the management structure and organisational system becomes a challenge for the finance processing centre. The finance processing centre adopts a matrix organisational structure, with the head of a department managing several team managers who manage different service processes. There are also operation managers in the sub-centres who are responsible for personnel and administration management in a particular sub-centre. For example, the cash service team manager is responsible for the business undertaking, standards development, scheduling, process monitoring and target analysis; while the Chengdu sub-centre operation manager is responsible for resource coordination (including the cash service team), personnel and administration of local service teams. As such, one looks after the processes and technology, while the other manages people. This ensures the implementation of uniformed processes and standards in all sub-centres.

At each sub-centre, everyone follows the 'Operational Manual' for accounting processes agreed upon between the customer and service team manager. There is a team leader for every 10 to 15 staff, and a regional supervisor for amongst three team leaders. The regional supervisor reports to the operation manager. This forms the fundamental management structure. The service team manager, the operation manager, and the service team not only form an internal career path, but also help fill any vacancies in the business finance functions within the Ping An subsidiaries.

Experiences and challenges for centralised finance function

Centralising the finance function is a reform from the management theory of decentralisation in the past. There is always restructuring and conflict of interest behind any change. Therefore, it is doomed to fail without the push and strong support from the top. Accordingly, the driving force from the senior management of the Group and its subsidiaries played an irreplaceable and decisive role in the shift towards the model of finance shared services.

Various departments need to be convinced to endorse the transformation, which was made easier by Ping An Group's pragmatic culture. Every participant discusses about possible issues in an objective and pragmatic manner. For example, when more than 300 questions are raised during a discussion about the design of a centralised process, there will be an objective and in-depth discussion on each of the questions. Immediate action will be taken to rectify any problem when any error in the process or any inconvenience caused to the customer by the system design is identified. A timeline for a solution also needs to be clearly defined for any tolerable and acceptable issue which cannot be rectified immediately.

Any remote centralised operating model depends on highly effective technical support. Ping An has a very strong IT team to provide support and ensure all system development and implementation requirements are met. Given the Group's aspiration of 'technology-driven financial services', service innovation and new technology applications become the priorities of shared services. To this end, they are striving to improve the service experience, and to optimise the processes and cut the costs via the application of new technologies.

How to adapt to new changes, how to utilise new technologies, how to meet the new business needs, and how to offer customers services beyond their expectations are new challenges as well as growth opportunities for finance shared services.

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