

Research on the drivers and performance of digital transformation of enterprise finance

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Abstract. As the leader in the domestic engine industry, Weichai Power has carried out a financial integration project since 2012. Its core objective is to explore financial digital construction, achieve financial transformation, and support business development. By combing through the financial digital transformation process of Weichai Group, it is found that: in terms of transformation motivation, environmental dynamics is an important external motivation for Weichai Group to continuously implement financial digital transformation, and business motivation and management perspective are important internal motivations for enterprises to implement financial digital transformation. In terms of implementation path, enterprise financial digital transformation is divided into three stages: accounting construction, financial transformation construction, and decision support construction. In terms of transformation consequences, the group has improved organizational performance and financial performance. The organizational performance is manifested as improved financial efficiency, increased financial value, and enhanced service quality. The financial performance is reflected in the shortened business cycle, increased R & D output, and enhanced cost control ability of the group.

Keywords: Financial digital transformation; Digitization.

1. Introduction

Financial digital transformation is an important process of using digital technology to carry out internal management reform in the context of digital transformation. Zhao Lijin (2019) believes that financial digitalization is the process of fully using digital technologies such as big data, intelligence, mobile Internet, cloud computing, the Internet of Things, and blockchain to collect and process management of enterprise operation information. It can obtain valuable data, transform and store it, and then realize enterprise value decision-making by outputting data according to the changes of the internal and external environment of the enterprise and the needs of the integration of business and finance. It includes two meanings. First, financial digitalization improves the effect of digital collection and processing through the use of digital technology. Second, through the establishment of the enterprise financial digital system, the collection, transformation, and storage of the company's internal information are completed. On the basis of the integration of enterprise business and financial information, the value decision-making and value realization process of data are completed by using the coordination between departments to break through the data silos. Zhang Qinglong (2020) believes that the digital transformation of financial management requires companies to use information technologies such as cloud computing technology and big data analysis in financial management to reconstruct the financial management organization, reshape the process structure, improve the quality of financial services and the effectiveness of financial operations, so as to better empower services, support operations, assist management, and support decision-making. In terms of the path, the establishment of a financial shared service center is an important starting point for the digital transformation of financial management and an important measure for the integration of business and finance. The specific path for the transformation of financial management to digitalization is: transitioning from a financial management shared service platform to a large shared platform for procurement, information, human resources, taxation, etc., integrating modern management accounting tools to improve the comprehensive capabilities in big data analysis,

computing power, algorithms, etc., and continuously bringing higher-quality big data services to enterprises.

Combined with the above views, this paper defines financial digital transformation as the process of using a new generation of information technology, combined with the needs of enterprise finance to respond to internal and external changes and the integration of business and finance, through the establishment of an enterprise financial management digital system, to make value decisions on data, improve the quality of enterprise financial products and the effectiveness of financial operations, so as to better empower enterprise operations and realize financial support for management and investment decisions.

2. Basic Information of the Case Enterprise

Weichai Holding Group Co., Ltd. was founded in 1946. It is a leading industrial equipment multinational group in China and has an important influence globally. It owns well-known brands at home and abroad such as Weichai Power, Shaanxi Automobile Heavy Truck, Weichai Lovol Intelligent Agriculture, Fast Transmission, Hande Axle, Torch Spark Plug, Italy's Ferretti, Germany's KION, Germany's Linde Hydraulics, the United States' Dematic, the United States' PSI, France's Baudouin, and Canada's Ballard. It has 8 listed companies at home and abroad and 10 stocks. It has 100,000 employees worldwide, with an annual operating income of more than 300 billion yuan. It ranks 86th among the top 500 Chinese enterprises, 31st among the top 500 Chinese manufacturing enterprises, and 18th among the top 100 Chinese multinational companies, with a transnational index of 39.06%.

Weichai Power Co., Ltd. (HK2338, SZ000338) was established in 2002 and is located in Weifang City, Shandong Province. It was founded by Weichai Holding Group Co., Ltd. as the main sponsor and jointly with domestic and foreign investors. Overview: Weichai Power Co., Ltd. (HK2338, SZ000338) was established in 2002 and was founded by Weichai Holding Group Co., Ltd. as the main sponsor and jointly with domestic and foreign investors. It is an enterprise in the Chinese internal combustion engine industry listed on the Hong Kong H-share market and also a company that has returned to the mainland from overseas and achieved A-share relisting. In 2022, the enterprise achieved an operating income of 175.16 billion yuan and a net profit attributable to the parent company of 4.91 billion yuan. It is an enterprise in the Chinese internal combustion engine industry listed on the Hong Kong H-share market and also a company that has returned to the mainland from overseas and achieved A-share relisting. In 2022, the enterprise achieved an operating income of 175.16 billion yuan and a net profit attributable to the parent company of 4.91 billion yuan. With an income of 175.16 billion yuan, it is committed to creating products with three core competitive advantages of quality, technology, and cost, and has successfully built a coordinated development pattern of industrial sectors such as powertrain (engine, transmission, axle, hydraulic), vehicle and machine, and intelligent logistics. It owns brands such as "Weichai Power Engine", "Fast Transmission", "Hande Axle", "Shaanxi Automobile Heavy Truck", and "Linde Hydraulics".

3. Motivation Process of the Case Enterprise's Financial Digital Transformation

3.1. Internal Management Drive

Weichai Power has the significant characteristics of multiple subsidiaries, sub-subsidiaries, and cross-regional operations. It has a large number of subsidiaries, and the locations are relatively scattered, making management and control difficult. As of the end of 2022, Weichai Power had six holding companies. The company-funded company has 24 wholly-owned subsidiaries under its umbrella and 4 wholly-owned subsidiaries, covering the industry pattern from the east to Central China and then to the northwest, and is located in various provinces and regions such as Shandong, Shaanxi, and Jiangsu. The investment subsidiaries have a large industry span. Figure 6 shows that there are differences in information systems, processes, accounting standards, and policy implementation

among various audit accounting entities. Therefore, financial supervision is very difficult. The establishment of a unified information system can ensure the unity, accuracy, and availability of data of different accounting information entities. The rapid dynamic reporting of the information system can also directly monitor the group subsidiaries and improve the control level.

3.2. Digital Strategy Drive

The "14th Five-Year Plan Outline" and the 2035 long-term goal program of the state propose to promote the in-depth integration and development of the digital economy and the real economy, actively promote the vigorous development of the digital industry of the national economy, and form new resource advantages for the development of the digital economy. In this context, implementing a digital transformation strategy is an important change choice for most companies to improve the sustainability of their production and operation. Under the new situation, it is necessary to break through the inherent thinking, seek change through innovation, and solve the new challenges brought about by the development of the industry. In the context of the company's digital management and operation strategy, the company's financial managers pointed out that the large amount of financial data information owned by the finance can provide a basis for the company's operation goals and performance. Therefore, finance plays a key role in the digitalization of the enterprise. In every information transformation, finance is the best entry point for the comprehensive digitalization of the enterprise.

4. Path Process of the Case Enterprise's Financial Digital Transformation

From 2012 to 2017, Weichai Power started the process of the shared financial service platform and entered the accounting stage. It carried out accounting standardization consulting, consolidated financial statements, cost management systems, and a comprehensive budget management system. It officially started the digital project of financial management. The financial management reform of Weichai Power this time will focus on the establishment of a national financial management shared center to further promote the standardization of accounting, the onlineization of business processes, the electronization of financial management documents, and reconstruct the financial management function of the enterprise to promote the digital transformation of the financial organization system.

From 2017 to 2021, it entered the stage of financial transformation construction and carried out quality cost management, R & D project management, and the second phase of consolidated financial statements BI analysis. With value innovation as the development goal and "systematization and digitalization, integration of business and finance, comprehensive budget control, comprehensive process monitoring, and data analysis for management decision-making" as the core, it improved the construction project of the financial shared service center and realized the resource sharing and knowledge management of the financial management information system. Since 2017, Weichai Power has taken automation and digitalization as the starting point, with process standardization and normalization as the entry point. After four years, by 2021, Weichai Power has built a digital platform with Weichai characteristics, leading in the industry, covering the whole process and all business fields. Among them, it was launched and implemented in 2017 and promoted and constructed in 2018, involving the expense, fund, and salary sectors and the Yangzhou and Zhuzhou engine sectors. In 2019, it was optimized and upgraded, involving the asset, tax, and general ledger sectors and the Shaanxi Automobile Heavy Industry business. In 2020, it achieved full coverage, involving the accounts receivable and payable sectors and the engine sector and Yangzhou Shaanxi Automobile Heavy Industry. Now the financial sharing structure of Weichai Power is divided into seven platforms: the reimbursement platform, the fund platform, the budget platform, the tax platform, the operation platform, the archives platform, and the data analysis platform.

Since 2021, Weichai Power has entered the decision support stage and carried out budget system upgrades, R & D cost management, and ESG financial sharing projects.

The digital transformation process of Weichai Power's financial management generally has three stages. The first stage is the establishment of a financial shared center to achieve efficient integration of financial management and standardization of business processes. The second stage is the establishment of an intelligent financial management system to achieve real-time finance and provide strong support for business decision-making. The depth and scope of digital transformation are continuously expanding. From the construction of a shared financial center to the construction of intelligent finance, the transformation process reflects the characteristics of developing from informatization and automation to intelligence. The transformation process covers many aspects such as systems, processes, systems, and organizations, with the goal of realizing value innovation in financial management. The third stage is further deepening and expanding the scope, gradually realizing automation and digitalization.

In terms of the transformation path, from the perspective of obtaining new resources, Weichai Power applies new technologies to the construction of the enterprise information system, so that the enterprise can, with the help of the external digital industry, realize the financial digital solution according to its own industry and management needs, reduce the trial and error cost, and improve the success rate of financial digital transformation. The construction of digital capabilities and new technologies by using external resources is manifested as exploitative learning in the organizational learning process. In the construction of opening up the enterprise's business processes and systems, the company has carried out exploratory training in the financial management organization by taking measures such as institutional reform and talent management according to its own performance and management successful experience, thus enhancing the adaptability of the company's financial management team to the changing environment and achieving the goal of financial digital transformation. The second stage of financial digital transformation is based on the first stage of financial digital transformation, realizing a new round of "exploitative + exploratory" financial digital transformation, thus meeting the needs of internal management and promoting the continuous and in-depth financial digital transformation.

5. Effect Analysis of the Case Enterprise's Financial Digital Transformation

5.1. Organizational Efficiency Analysis

5.1.1. Improvement of Financial Efficiency

With the progress of the online promotion of the enterprise financial shared center, the construction of the enterprise financial shared center will help the enterprise finance department improve internal management efficiency and operational efficiency as soon as possible.

5.1.2. Improvement of Business Support Ability

The optimization of the financial management process also increases the professional division of labor in financial management. By stripping the transaction management function in business finance and strategic financial management to the financial shared center, enterprise financial personnel can be liberated from the most basic and complex financial accounting work, thereby promoting the effective transition of the enterprise financial management system between business finance and strategic finance. Moreover, through the function of integrating information with the financial shared center, cross-departmental collaboration and cooperation between departments can be carried out, thus attaching more importance to the full play of the business finance function, further strengthening the integration of business and finance, and laying a solid foundation for promoting the transition of the financial system from accounting to business management decision-making.

5.1.3. Improvement of Service Quality

The wider integration of business and finance enables the company to jointly bring high-quality financial services to customers, distributors, and company employees, thereby greatly improving the work efficiency of the business process and achieving the transparency of information management,

reducing training costs and communication costs. Taking the accounting process of the enterprise's domestic procurement as an example, before the establishment of the financial shared center, the internal and external settlement processes could not be directly connected, and the suppliers could not keep up with the progress of financial accounting on time, and the financial department staff could not complete the information acceptance. After the financial data sharing center is launched, the financial data can be connected to the supplier portal through the shared social service platform, and multi-dimensional information retrieval of settlement documents can be carried out. Suppliers can master the instant settlement progress, and financial auditors can use the system to automatically match order information, promoting the improvement of accounting work efficiency by about 25%.

5.2. Financial Performance Analysis

Table 1 Weichai Power's relevant financial indicators from 2017 to 2021

		Scheme 1	Scheme 2	Scheme 3	
Operating income	15156939	15925583	17436089	19749109	20354770
Gross profit	1052226	1385828	1435165	1268167	1405479
Selling expenses	1033777	1061917	1125407	136176	123404
Finance Expenses	59075	7534	7534	-35866	-65395
Management fees	960158	625950	690019	107646	129288
R&D expenses		432020	522797	218698	251351

From the perspective of operating income, Weichai Power's operating income showed a steadily rising trend from 2017 to 2021, which indicates that through transformation, Weichai Power has achieved relatively high sales growth. Looking at the growth of Weichai Power's period expenses, from 2017 to 2021, there was an obvious downward trend in management expenses, sales expenses, and financial expenses. The financial expense has been negative since 2019. From the perspective of the period expense ratio, Weichai Power's period expense ratio has decreased significantly, indicating that the group has relatively strong cost control.

In terms of innovation output, from the perspective of the group's annual new R & D expenditures (including R & D expenses and development expenditures), Weichai Power's R & D investment showed an upward trend year by year from 2017 to 2019.

6. Summary

Based on the case of Weichai Power's financial digital transformation, this paper analyzes the motivation, path, and consequences of financial digital transformation. According to the case analysis, it is found that in the process of continuously promoting the digital transformation of enterprise financial management, the continuous digital transformation of enterprise financial management mainly depends on the overall digital transformation background of the enterprise and belongs to the digital transformation of enterprise management. In terms of transformation characteristics, the case enterprise has implemented continuous financial digital transformation. In terms of transformation motivation, environmental dynamics is the most important external motivation for the case enterprise to continuously carry out financial digital transformation. The environmental richness is reflected in the high capital and technology intensity of the industry where the company is located, so it can have relatively rich transformation resources, creating higher advantageous conditions for the success of the transformation. Business motivation and management perspective require the company's financial management to form a more flexible mechanism, which is the key internal motivation for the company to achieve the digital transformation of financial management.

In terms of the transformation path, the case enterprise has relatively obvious characteristics of the organizational learning process. In terms of exploitative learning, on the one hand, it relies on cooperation with the external digital industry to promote the construction of the enterprise's digital

capabilities and technical system. On the other hand, in the process of building and opening up the enterprise's business processes and systems, the enterprise has carried out exploratory learning according to its own industry characteristics and experience, integrating the enterprise financial transformation strategy with its own industry development plan, forming a digital implementation method suitable for the enterprise, and adopting a mechanism. From the analysis of the transformation results, it has further driven the development of the integration of business and finance, laid a good foundation for the digitalization of the company's financial management, and at the same time achieved improvements in financial efficiency, business support ability, service quality, output ability, and strong cost control.

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