

Impact Analysis of the Financial Shared Services Model on Mengniu Dairy's Financial Data

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Abstract: The Financial Shared Services (FSS) model is a new operational framework that relies on big data platforms and internet technologies to centralize and standardize the management of accounting and reporting processes. Its core lies in achieving the centralized sharing and efficient management of financial data through the integration of unified system platforms, accounting systems, accounting standards, and operational procedures. This paper introduces the theoretical foundation of Financial Shared Service Centers (FSSCs) and uses the establishment of an FSSC by Mengniu Dairy as a case study. Based on selected data from Mengniu Dairy's financial statements from 2015 to 2024, the study examines four key financial dimensions: profitability, solvency, operational efficiency, and growth capacity. The results indicate a positive correlation between the implementation of the FSSC and changes in certain key financial metrics at Mengniu Dairy.

Keywords: Financial Shared Services Model; Financial Data; Mengniu Dairy

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Since the mid-to-late 20th century, with the deepening of economic globalization and the increasing internationalization of market trade, global corporate groups have faced increasingly complex challenges in their operations. Under intense market competition, many large enterprises have pursued rapid expansion through mergers and acquisitions to enhance their core competitiveness and keep pace with international trends. As international competition intensifies, subsidiaries of large conglomerates located in different regions encounter numerous challenges in financial management. To meet the management demands of this new landscape, traditional financial management models must evolve, and foundational financial operations require systematic reorganization and enhancement to achieve economies of scale. Driven by this need, the shared services model has been introduced into the financial domain by scholars and the business community, gradually gaining practical implementation. Currently, financial shared service centers are flourishing globally. Approximately 90% of Fortune Global 500 companies have established such centers, while over 70% of domestic enterprises have initiated or completed their construction. This demonstrates that building financial shared service centers not only aligns with corporate development needs but also responds to the prevailing trends of the era.

1. Theoretical and Applied Research on the Financial Shared Services Model

Financial shared services, as a novel management concept, was first proposed by scholars such as Robert Gunn (1993) and evolved from theoretical concepts to practical application in the finance domain. In the 1980s, Ford Motor Company in the

United States pioneered the adoption of the financial shared services management model^[1]. By the early 21st century, the application of financial shared service centers had matured in developed economies like Europe and the United States. After a period of sustained exploration and development, research in China's financial shared services sector has gradually reached a relatively mature stage. Domestic scholars Liu Mengke and Zhu Xuanchen (2020) proposed that the fundamental purpose of enterprises establishing financial shared service centers lies in systematically simplifying and optimizing business processes. During the construction phase, digital intelligence tools are employed to reshape business scenarios, thereby strengthening the enterprise's management and control capabilities over financial activities^[2]. Regarding practical application, Liu Chenyu (2024) indicates that implementing financial shared services resolves issues inherent in traditional corporate processes—such as cumbersome approvals, inconsistent standards, information opacity, and weak risk management. This facilitates a shift in financial oversight from decentralization to centralization, from manual operations to intelligent automation, and from post-event verification to end-to-end supervision, ultimately reducing operational costs^[3]. Current scholarly research on the theoretical foundations of financial shared services encompasses organizational flattening theory, economies of scale theory, process reengineering theory, and standardization theory. Concurrently, literature review reveals that financial shared services exhibit the following characteristics: a customer-centric business operation model; a focus on enhancing corporate value and competitiveness; and current prevalence in large enterprises or multinational corporations.

2. Research on How the Financial Shared Services Model Enhances Corporate Financial Performance

In the current business environment, establishing a financial shared services model has become critical for corporate survival and development. Numerous scholars have demonstrated through various methodologies the positive impact of financial shared services on corporate financial performance. Hou Jing (2020) selected 81 A-share listed companies as research samples, encompassing both enterprises with and without established financial shared services, to investigate the effects of implementing such a model on corporate performance. The findings indicate that companies with financial shared services demonstrate significantly superior performance compared to those without, with a particularly pronounced effect on enhancing operational outcomes^[4]. Hu Aiping (2021) argues that during the initial phase of building a financial shared service center, substantial foundational investments coupled with less immediate returns may lead to a temporary decline in financial performance. However, the long-term impact is generally positive^[5]. Liu Kuinan (2021) summarized the performance-enhancing effects of the financial shared services model across four dimensions: broadening revenue streams, freeing up financial personnel, reducing operational costs, and strengthening business integration. This study highlights the significant value of financial shared service centers in optimizing corporate performance management^[6].

Building upon these findings, this paper further investigates the operational mechanisms of the financial shared services model on corporate financial data. By calculating the increase or decrease in relevant financial indicators, it examines the financial changes at Mengniu Dairy before and after implementing the shared services model. Through data analysis and case studies, this paper concludes that the establishment of Mengniu Dairy's financial shared services model positively impacts the company's financial performance, providing valuable insights for enterprises considering the implementation of such models.

3. Analysis of the Impact of the Financial Shared Services Model on Mengniu Dairy's Financial Performance

This paper utilizes Mengniu Dairy's financial indicator data from 2015 to 2024 to analyze the impact of establishing a financial shared service model on financial performance across four dimensions: profitability, solvency, operational efficiency, and growth potential. The data is sourced from Mengniu Dairy's official financial statements.

3.1 Analysis of the Impact on Profitability

This paper analyzes Mengniu Dairy's profitability using three key indicators: net profit margin, return on equity, and gross profit margin. The relevant data for these indicators is presented in Table 1.

Figure 1 Profitability Indicators of Mengniu Dairy

(Unit: %)

Project	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net Profit Margin	0.25	4.96	5.60	5.63	4.61	5.44	4.64	3.38	-1.51	5.14
Return on Equity	0.24	11.39	13.79	14.40	11.35	15.11	12.73	9.43	-3.50	10.85
Gross Profit Margin	39.57	37.15	35.30	36.75	37.65	37.55	37.38	35.21	32.79	31.36

Data source: Mengniu Dairy financial reports, same below.

Net profit margin refers to the percentage of net profit relative to sales revenue. This metric measures a company's ability to generate profits from sales revenue within a specific period, providing a direct reflection of the profitability level of sales revenue. Generally, a higher net profit margin indicates stronger profitability and healthier overall financial health. As shown in Table 1, Mengniu Dairy's net profit margin has trended upward since establishing its financial shared services model, peaking at 5.63% in 2021. This demonstrates that the company's digital marketing platform and financial shared services center have continuously enhanced its sales capabilities, generating greater net profits. The negative net profit margin in 2016 primarily resulted from losses incurred by its holding company, Yashili International Group Co., Ltd., rather than losses from its core operations. Additionally, the sharp decline to 0.25% in 2024 stemmed from a significant goodwill impairment charge of RMB 4.33 billion. Although the net profit margin fluctuated in other years, overall, the net profit margin after implementing the financial shared services model was significantly higher than before its establishment. This outcome demonstrates that building the financial shared services model has played a positive role in enhancing the company's net profit margin. Return on equity (ROE) is the ratio of net profit to average shareholders' equity, reflecting the return level of shareholders' equity to some extent and measuring the efficiency of capital utilization. A higher value indicates greater returns on investment. As shown in Table 1, Mengniu Dairy's return on equity in 2020 experienced a significant decline compared to 2019, primarily due to the impact of the COVID-19 pandemic. Nevertheless, this metric remained above the level prior to the establishment of the financial shared service model. This demonstrates that the model has helped maintain Mengniu Dairy's return on equity within a relatively high range, enabling the company to sustain profitability and maintain a stable and positive overall development trajectory. Gross profit margin is a core financial indicator measuring a company's profitability in its primary business operations, reflecting the inherent profit potential of its products or services. As shown in Table 1, Mengniu Dairy maintained a gross profit margin above 30% from 2015 to 2023. This demonstrates that the implementation of the financial shared services model significantly enhanced the company's brand recognition and expanded its market share.

3.2 Analysis of the Impact on Debt Repaying Capacity

This paper analyzes Mengniu Dairy's debt-paying capacity using two indicators: the current ratio and the debt-to-equity ratio. The relevant indicators are shown in Table 2.

Figure 2 Mengniu Dairy's Debt Repayment Capacity Indicators

Project	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Current Ratio	0.97	1.05	1.11	1.07	1.21	1.18	1.18	1.15	1.30	1.40
Asset-Liability Ratio (%)	54.82	56.04	57.52	57.19	53.53	57.74	54.16	53.38	48.08	47.46

The current ratio is the ratio of a company's current assets to its current liabilities. A higher value indicates stronger liquidity and superior short-term debt repayment capacity; conversely, a lower value signifies weaker short-term debt repayment ability. As shown in Table 2, since initiating its financial shared services model in 2015, Mengniu Dairy's current ratio has generally trended downward. The core reason lies in the substantial capital investment required to implement this model, which caused temporary fluctuations in cash flow. After 2018, Mengniu's Financial Shared Service Center achieved simultaneous financial accounting and fund settlement across all business modules and processes. This significantly enhanced the precision of fund management, gradually stabilizing and optimizing the current ratio from its initial downward trend during the construction phase. The debt-to-asset ratio represents the percentage of total liabilities relative to total assets at the end of a period, reflecting a company's ability to leverage creditor-provided funds for operations. Table 2 further

shows that Mengniu Dairy's debt-to-asset ratio rose from 47.46% in 2015 to 57.74% in 2019, exceeding the 50% threshold. This increase primarily resulted from Mengniu Dairy's ongoing advancement of its financial shared services model and increased investment in digital marketing, which elevated expenses related to advertising and promotion. The subsequent stabilization trend stems mainly from Mengniu establishing a big data foundation through its financial shared services center. This foundation assists managers in identifying operational improvement opportunities, further enhancing asset utilization efficiency and promoting a healthier debt-to-asset ratio.

3.3 Analysis of Impact on Operational Capability

This paper analyzes Mengniu Dairy's operational efficiency using two key indicators: total asset turnover and inventory turnover. The relevant metrics are presented in Table 3.

Figure 3 Mengniu Dairy Operating Capability Metrics (Unit: Times)

Project	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Asset Turnover Ratio	0.99	0.85	0.86	0.99	0.96	1.09	1.11	1.12	1.08	1.00
Inventory Turnover Ratio	9.72	8.75	8.23	9.29	8.94	10.53	11.09	11.42	9.44	7.75

Total asset turnover is a core financial indicator measuring a company's asset operational efficiency. It reflects the ability of all assets to generate operating revenue within a specific period, demonstrating the speed and utilization efficiency of assets from input to output. As shown in Table 3, Mengniu Dairy's total asset turnover rate exhibited a sustained upward trend from 2015 to 2017, indicating positive performance. This trend clearly demonstrates that the financial shared services model effectively enhances the company's asset utilization efficiency, confirming its strong operational quality. However, impacted by the COVID-19 pandemic, Mengniu Dairy's total asset turnover ratio has generally trended downward since 2018. This shift may stem from the company's sustained increase in capital investment, driving continuous expansion of total assets. Yet, as these investments failed to generate timely returns, asset turnover efficiency ultimately declined. Inventory turnover rate, defined as the ratio of operating costs to average inventory balance over a specific period, reflects the speed at which inventory is turned over. Data in Table 3 further reveals that Mengniu Dairy's inventory turnover rate showed a sustained upward trend from 2015 to 2017. This indicator change clearly demonstrates that the financial shared services model has effectively enhanced the company's inventory management capabilities, significantly accelerating inventory turnover speed. Affected by the COVID-19 pandemic, Mengniu Dairy's inventory turnover rate experienced a sharp decline in 2020 compared to 2019 and remained at a relatively low level in subsequent years. Subsequently, due to the establishment of a slow-moving inventory disposal team led by the shared service center, over 100 million yuan worth of unsold products were cleared cumulatively from 2021 to 2023, releasing substantial funds and enabling an improvement in the inventory turnover rate for the 2024 fiscal year.

3.4 Analysis of the Impact on Growth Potential

Figure 4 Mengniu Dairy Growth Capability Indicators (Unit: %)

Project	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Revenue Growth Rate	-10.09	6.51	5.05	15.92	-3.79	14.57	14.66	11.86	9.69	-2.04
Total Assets Growth Rate	-7.75	-2.21	20.00	22.40	2.05	18.18	14.31	18.36	-3.02	7.06

The calculation logic for revenue growth rate is the ratio of the current year's revenue increase to the previous year's total revenue. This metric uses the company's historical revenue scale as a benchmark, providing a direct measure of the current period's revenue growth rate and development trajectory. Guided by the financial shared services model, Mengniu Dairy's revenue growth rate rose from -2.04% in 2015 to 9.69% in 2016, successfully shifting from negative to positive territory. Affected by the COVID-19 pandemic, Mengniu Dairy's revenue growth rate plummeted in 2020. Subsequently, the company implemented countermeasures, advancing its digital transformation strategy alongside the shared services model, which restored the revenue growth rate to an upward trajectory. Overall, the financial shared services model has driven revenue

growth for Mengniu Dairy, providing enhanced development opportunities. The total asset growth rate serves as a core financial indicator reflecting the pace of corporate asset expansion and development potential. It measures the increase in total assets over a specific period, directly illustrating a company's expansion capacity and resource accumulation speed. As shown in Table 4, the implementation of the financial shared services model from 2015 to 2023 led to a total asset growth rate that initially slowed before accelerating. The initial slowdown was due to system integration investments. After 2017, as the platform matured, growth began to accelerate. The implementation of the financial shared services model enhanced the company's ability to centrally allocate funds, reduced idle capital, improved capital turnover rates, and indirectly increased the efficiency of total asset utilization. Overall, the financial shared services model transformed Mengniu's total asset growth from extensive to steady, high-quality expansion, while shifting its operating revenue growth from volatility to sustainability. This provides a model case for large dairy groups to achieve strategic upgrades through financial management innovation.

4. Conclusions and Limitations

Driven by the wave of the digital economy, modern information technology has entered an era of rapid iteration and deep application. In China, the theoretical research and commercial practice of financial shared services have been cultivated for over three decades. Leveraging core advantages of digitalization, centralization, and standardization, the establishment and optimization of financial shared services platforms have increasingly become a crucial lever for enterprises to advance the transformation and upgrading of financial management and achieve overall operational digitalization and intelligence. This approach has garnered widespread market favor and proactive implementation. For fast-moving consumer goods like dairy products, real-time information transmission is particularly critical. The financial shared services model can effectively reduce the risks of product expiration and slow sales by breaking down data silos and enabling efficient information flow. Therefore, this paper analyzes Mengniu Dairy's profitability, solvency, operational efficiency, and growth potential across four dimensions, revealing that establishing a financial shared services model can promote its development to a certain extent. Mengniu Dairy should fully leverage surrounding resources to better utilize its advantages throughout production processes and the industrial chain. It should also adjust the implementation form of the financial shared services model based on its development status at different stages to achieve high-quality development. However, this study has limitations. Research on the correlation between financial shared services and corporate financial data requires further refinement. Additionally, data collection faced challenges due to Mengniu Group's status as a Hong Kong-listed company, whose disclosure rules differ from mainland Chinese listed companies, making it difficult to ensure the accuracy of some data.

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Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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