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Suggestions on Investment Management and Risk Prevention of State-owned Enterprises

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Abstract: State-owned enterprises are the pillars of China's national economy. Their investment management activities are directly related to the survival and development of enterprises and also affect the stable development of the national economy. In the current severe economic environment, state-owned enterprises are facing new opportunities and challenges. Based on this, this paper studies the suggestions on investment management and risk prevention of state-owned enterprises, emphasizes the necessity of investment risk management in the state-owned economy, analyzes the current investment management risk problems of state-owned enterprises, and puts forward corresponding optimization suggestions. The purpose is to provide theoretical support and practical guidance for state-owned enterprises to improve their investment management level and effectively prevent risks.

Keywords: State-owned enterprises; Investment management; Risk prevention; Suggestions

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1. Introduction

The investment management of state-owned enterprises refers to a management activity in which state-owned enterprises use advanced management methods to comprehensively control investment decisions, investment risks, etc., so as to improve the risk resistance ability of enterprises and increase the economic benefits of enterprises. Against the background of increasingly fierce market economy, the adoption of reasonable and effective investment management by state-owned enterprises helps to optimize resource allocation, improve economic efficiency, and enhance market competitiveness. However, currently, the investment management of state-owned enterprises faces many challenges, and investment risks cannot be ignored. If not properly handled, it will affect the economic benefits and future development of the state-owned economy. Therefore, in-depth research on the investment management and risk prevention of state-owned enterprises has important practical significance.

2. The necessity of strengthening the investment management of state-owned enterprises

With the continuous intensification of market competition, the investment management of state-owned enterprises is faced with new problems and challenges. It is of great necessity to strengthen investment risk management, which is mainly reflected in the following aspects: First, it helps to improve economic benefits. The investment management of state-owned enterprises is largely related to the allocation and utilization of resources. Optimizing investment management can promote the optimization of resource allocation, encourage resources to flow to projects with potential or higher returns, and thus promote the value preservation and appreciation of state-owned assets. For example, by investing in fields such as artificial intelligence and new energy, it is possible to seize the opportunities brought about by the development of cutting-edge technologies, drive the coordinated development of upstream and downstream industrial chains, explore more diversified profit channels, and increase economic benefits. The optimization of resources can help state-owned enterprises seize market share in the industrial field, promote relevant technological innovations, and open up new market spaces. Second, it is conducive to promoting the stable development of enterprises. In a complex and changeable market environment, investment activities face relatively large risks. Scientific and reasonable investment management can help state-owned enterprises establish a diversified business layout, reduce their dependence on a single market, enhance their risk resistance ability, and ensure that enterprises can maintain stable development under different economic cycles. For example, some state-owned enterprises invest in infrastructure construction and financial services to achieve business complementarity. They use the stable returns of infrastructure construction to balance the fluctuations of financial service businesses and ensure the stability of the overall operation of the enterprises. Third, it is conducive to enhancing the market competitiveness of state-owned enterprises. In a globalized environment, state-owned enterprises face the dual pressure of domestic and foreign markets. Optimizing investment management can activate new vitality in market competition, promote technological progress and product upgrading in the industry, and thus enhance the competitiveness of state-owned enterprises in domestic and foreign markets, stimulate the innovation vitality of the industry, and encourage other enterprises to actively follow up, forming a good market competition ecosystem. In recent years, with the in-depth implementation of the Belt and Road Initiative, state-owned enterprises have had closer cooperation with foreign markets, which has improved the internationalization level of state-owned enterprises and established a good corporate image.

3. Risk problems in the investment management of state-owned enterprises

At present, there are still some risk problems in the investment management of state-owned enterprises, which are mainly reflected in the following aspects: First, there is a disconnection in strategic planning. The current market environment is changing rapidly. When some state-owned enterprises plan their investment strategies, they lack effective connection with new market formats and do not fully consider the impact of emerging technologies and market trends. For example, some enterprises pay too much attention to investment in traditional businesses, and their investment layout in emerging fields such as cloud computing is relatively lagging, thus missing market opportunities; some state-owned enterprises lack overall planning for future development directions and investment scales and lack clear guiding strategies, making it difficult for their development speed to reach the desired state; some enterprises are too focused on short-term interests and ignore the needs of their own industrial layout, resulting in the enterprises gradually losing their advantages in market competition. Second, the management mechanism is fragmented. Some state-owned enterprises lack a scientific and perfect management mechanism for investment management, which is difficult to adapt to the rapid development of emerging businesses. The traditional approval process is rather cumbersome, and the decision-making cycle is relatively long, making it difficult to meet the rapidly changing market demands of emerging industries; there is insufficient connection between various departments of investment management, and there are deviations in the implementation process of investment projects, affecting the smooth progress of the projects. The management mechanism does not fully consider the characteristics of different business segments and adopts a one-size-fits-all management approach, which cannot effectively stimulate the vitality of each business segment. Third, the evaluation mechanism lacks effectiveness. Traditional investment performance evaluation pays too much attention to financial indicators and sets few non-financial indicators. For example, there is insufficient evaluation of aspects such as the innovation ability of enterprises and the improvement of market competitiveness, making it difficult to comprehensively reflect the actual value of investment projects. The evaluation mechanism is not updated enough, and the evaluation standards have not been adjusted in a timely manner in combination with changes in the market environment.

4. Suggestions on risk prevention in the investment management of state-owned enterprises

4.1. Optimize the investment strategic plan and build a decision-support system

State-owned enterprises should conduct a comprehensive analysis of their strategic deployments, optimize their investment strategic plans, and build a data-driven decision-support system. First, optimize the investment strategic plan. State-owned enterprises should closely integrate international macro-economic policies and industry development trends to formulate a clear, long-term, and forward-looking investment strategic plan. In terms of national policies, conduct in-depth research on industrial policy orientations, including fields such as new energy and high-end manufacturing, grasp the investment direction, and avoid blind follow-up investment. In terms of enterprise development, comprehensively evaluate the enterprise's own resource advantages and core competitiveness, including existing technologies, funds, etc., so as to clarify the investment focus. For example, if an enterprise has certain advantages in a certain technical field, it can invest around the upstream and downstream industrial chains of this technology to maximize the resource synergy effect. Second, build a decision-support system. State-owned enterprises should establish an integrated platform covering data collection, processing, and analysis. Collect external data from public market reports, industry databases, social media public opinions, and government policy release platforms, integrate internal operation data from production management systems, financial management systems, etc., analyze relevant information such as market data, industry development trends, and financial statements, establish data analysis models, assess project investment risks, and identify potential investment opportunities. Use machine-learning algorithms, such as the ARIMA model in time-series analysis, to analyze market demand data and predict the future change trends of different projects. Use natural language processing technology to analyze industry reports and judge the market's expectations for specific projects, providing a basis for investment strategic planning decisions. Set up a risk indicator system based on existing projects, set key risk thresholds. For example, when the market share growth rate of a certain industry is lower than the set value for several consecutive cycles, the system can automatically trigger a risk warning and provide a detailed risk analysis report to help enterprises quickly respond and adjust their investment strategies.

4.2. Improve the investment management mechanism and implement whole-life-cycle management

Investment project management should cover the whole life cycle, including all links from project initiation, project planning, project execution, project monitoring to project closure, to achieve systematic management and control of each link and effectively implement project objectives. In the project initiation stage. State-owned enterprises should establish a special investment project evaluation team to conduct a comprehensive feasibility study on potential investment projects. For example, for a new energy enterprise project, the evaluation team can investigate the market demand for new energy, the maturity of technology, the intensity of policy support, etc., and judge whether the project can help the enterprise upgrade its industry. In the project planning stage, state-owned enterprises should formulate a detailed project plan and budget plan, clarify the investment amount, investment schedule, and expected return targets, etc. For example, for a large-scale infrastructure investment project, plan the procurement plan for building materials, the phased capital investment plan, etc., to provide a basis for subsequent project implementation. In the project execution stage, state-owned enterprises implement the project according to the plan, establish a strict project execution responsibility system, strengthen communication and cooperation among project teams, and promptly solve the problems that arise during the project execution process. For example, when building a new factory project, the engineering department is responsible for the construction progress, the procurement department is responsible for the supply of raw materials, and the finance department is responsible for the capital guarantee. Each department shares the project progress in real-time through the information system to ensure the smooth construction of the project. In the monitoring stage, state-owned enterprises should promptly identify and solve problems. When the actual progress does not match the planned progress, analyze the reasons in a timely manner and take corrective measures. For example, when the project cost exceeds the expected cost, analyze whether it is due to rising raw material prices, low construction efficiency, or other reasons, and adjust the procurement strategy accordingly. In the project closure stage, state-owned enterprises conduct project summarization and evaluation, evaluate whether the project has achieved the expected goals, summarize the experience and lessons in the project implementation process, and provide a reference for subsequent investment projects. The whole life cycle should pay attention to all aspects of the project, emphasizing the coordination and feedback of various departments and links to ensure that the project can be completed on time and within budget and improve the actual effect.

4.3. Strengthen investment risk assessment and formulate risk control measures

Investment risk assessment and risk control are the keys to improving the investment management effect of state-owned enterprises. First, scientifically design the investment risk assessment system. In terms of performance evaluation indicators, both financial and non-financial indicators should be taken into account. For example, in financial indicators, the Economic Value Added (EVA) indicator should be introduced to measure the real value created by the investment project for the enterprise and accurately reflect the contribution of the project to shareholders' wealth; non-financial indicators should cover customer satisfaction, market share growth rate, innovation ability indicators, etc., to measure the market recognition of the investment project. In addition, attention should also be paid to setting targeted evaluation indicators in combination with the overall strategic goals. For example, if an enterprise sets a green development goal, it can design targeted indicators such as energy conservation and emission reduction volume and resource recycling rate for environmental protection projects, project quality compliance rate for infrastructure construction projects, and technology achievement conversion rate and number of patent applications for scientific and technological innovation investment projects. Second, reasonably design the performance evaluation method. State-owned enterprises should pay attention to choosing advanced evaluation methods, such as the Balanced Scorecard method, which can evaluate project performance from financial, customer, and other dimensions. The financial dimension focuses on investment returns, and the customer dimension focuses on customer satisfaction and market share, etc. For example, the Key Performance Indicator method can transform the key success factors of investment projects into quantifiable key performance indicators. Taking a production and manufacturing project as an example, performance indicators can be set as production cost reduction rate, product qualification rate, production efficiency improvement rate, etc., reasonably clarify the indicator weights, and assess the completion of the assessment period to ensure the pertinence of the assessment. State-owned enterprises can comprehensively use evaluation methods to provide a comprehensive performance analysis and ensure the accuracy of the assessment results. Finally, strengthen risk control. State-owned enterprises should formulate corresponding risk control measures according to the assessment results. For investment projects with excessively high risks that cannot be effectively controlled, they should resolutely give up to avoid waste and loss of resources. For investment projects with controllable risks, risks can be reduced by optimizing the investment plan, diversifying investments, etc. Optimize the scale, progress, and technical route of the investment project, and use financial tools and contract terms to transfer part of the risks to third parties to reduce risks. For risks that are low and within the enterprise's tolerance range, the enterprise can choose to accept them, and pay attention to formulating corresponding emergency plans so that measures can be taken quickly when risks occur.

5. Conclusion

To sum up, the investment management and risk prevention of state-owned enterprises is a complex and systematic project, which plays a crucial role in enhancing the economic benefits of the state-owned economy and strengthening market competitiveness. Facing the investment risk needs in the new era, state-owned enterprises should optimize investment strategic plans, improve investment management mechanisms, strengthen risk management, and scientifically design performance evaluations, etc., so as to effectively prevent investment risks and improve the investment management level of state-owned enterprises. Follow-up research can further explore the practicality of relevant strategies in different market environments to achieve continuous improvement and innovation and promote high-quality development in a complex and changeable environment.

Disclosure statement

The author declares no conflict of interest.

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