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Enterprise Asset Management Risks and Management and Control Strategies

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Abstract: As the core resource of an enterprise, enterprise assets are related to the stable operation and long-term development of the enterprise. However, there are also various risks in operation and management, which may cause impact and losses to the enterprise. This article aims to analyze the risks of enterprise asset management and its management and control strategies. This article provides an in-depth analysis of the risks that an enterprise may encounter during its operation, and provides countermeasures to optimize the shortcomings of the enterprise from all aspects. Enterprise prevention and control must first have a reasonable internal structure, a system for monitoring risks, asset management and monitoring throughout the entire enterprise life cycle, and a balance of enterprise assets.

1. Introduction

With the rapid development of the times, the requirements for enterprise asset management are also constantly changing. If an enterprise wants to achieve its long-term development goals, keep up with the times, and occupy a place in the fierce market competition, asset management is indispensable. However, in practice, many enterprises face management, market and financial problems in asset management. Therefore, asset management needs to be further improved, which is the core of corporate internal management. For enterprises, various economic resources that can be measured in currency are assets. Paying attention to and strengthening asset management can lay a solid foundation for the development of enterprises and enhance the stability of operations. During the operation of an enterprise, various risks will arise due to changes in the external environment and management loopholes. To this end, enterprises must innovate their own asset management methods, effectively control the risks in their own asset management, and improve the overall efficiency of asset management, so as to achieve stable and long-term development.

This article aims to analyze the risks of corporate asset management and find appropriate management and control strategies. This article first lists some people's relevant research in the field of corporate asset management risks and management and control strategies, and uses their research results as a reference to find solutions to this problem.

2. Related Works

Risks and control measures in corporate asset management are an important part of corporate operations. Many scholars and industry insiders have already conducted research on this issue. Liu Ping believed that enterprises should innovate asset management risk control systems and establish a highly efficient and complete risk prevention and control system to effectively prevent various risks. [1]. Ayu Ogi Fazny, Hari Setiyawati et al. believe that a complete internal control system and good corporate governance principles are key factors affecting the quality of corporate financial reports. They found that if a company's internal control system and governance principles were more complete and reasonable, the company's financial statements would be more trustworthy [2]. Hyejeong Shin, Sorah Park et al. believe that the operational efficiency of an enterprise is closely related to the professionalism and knowledge of its internal control managers, the shareholding ratio of managers cannot be too high, otherwise the value of the company will be reduced [3].

BELENZON et al. believe that in countries with weak corporate responsibility, it is a good choice for groups to merge more companies into legally independent subsidiaries. When a company's debt pressure is small, the headquarters can delegate more decision-making power, thereby accelerating the expansion of subsidiaries [4]. LIU, YuanChi et al. summarized the approach to the risk management part of the U.S. National Highway System transportation asset management plan and the role played by resilience, and then determined that resilience should be better integrated into the risk-based asset management plan [5]. KAN, Raymond et al. designed an optimal investment portfolio strategy for the risk-free asset situation, which provided a way to quickly and accurately evaluate performance, and also provided an in-depth analysis perspective for the establishment of project portfolios [6]. Rostami Noroozabad et al. found that under adverse market conditions, the asset and leverage risks of value companies were significantly higher than those of growth companies [7].

The above-mentioned ones have all conducted research and achieved some results in the field of enterprise asset management risks or management and control strategies. This article will use this as a reference to conduct research on enterprise asset management risks and their management and control strategies.

3. Methods

3.1 Enterprise Asset Management Risks

Enterprise asset management risks refer to the various hidden dangers and uncertainties that enterprises face in the process of operating and managing assets. These risks will have a certain impact on the company's asset value, security, stability, financial status, liquidity, operating efficiency, reputation, etc. [8-9].

Credit risk: It refers to the situation in which an enterprise cannot normally perform its repayment and other obligations stipulated in the contract due to reasons such as debtors, guarantors or other counterparties during the process of borrowing or selling on credit, resulting in capital losses.

Market risk: It refers to the risk of demand and value brought to an enterprise's products or services due to changes in market demand, competitive pressure, and technological changes [10-11]. In the operation process of an enterprise, market risk is a very important factor, which is directly related to the company's development and profitability.

Reputational risk: A company's reputation may be damaged due to some negative events, improper behavior or poor decision-making. Credit risk refers to issues such as a company's ethics and behavior, quality of products and services, social responsibility and sustainable development, and poor crisis management. It may cause investors to reduce investment, make customers suspicious of the company, and ultimately lead to a reduction in profits for the company, and even face legal proceedings, fines and other consequences [12-13].

Regulatory and legal risks: When regulatory policies and regulations change, companies must quickly meet the requirements. If companies fail to adjust in time and meet the requirements of regulatory authorities, they will face the risk of fines or suspension of production. In the daily operation of the enterprise, the company may encounter legal disputes or disputes with suppliers, customers, employees, etc. If it cannot be resolved well, it may fall into lawsuits or investigations, which will have a negative impact on the company's reputation and finances [14-15].

Operational risk: It refers to the risk of losses caused by defects in internal procedures, employees not fully performing their duties, information system failures, and other external events during the operation and production of an enterprise, including legal risks.

Internal and related transaction risks: It refers to various risks arising from issues such as inaccurate understanding of the transaction targets of related-party transactions or internal transactions, unreasonable pricing of related-party transactions or internal transactions, suspension of related-party transactions or internal trading activities, etc., when conducting risk control on related transactions or internal transactions.

Outsourcing risk: It refers to the fact that during the outsourcing process, due to the uncertainty of the external operating environment and the reasons of the enterprise or other relevant stakeholders themselves, the enterprise reasonably predicts and controls it, resulting in a certain deviation between the effect of resource outsourcing and the expected effect. If the third-party service for the enterprise cannot meet the standards, it may cause interruption of production, process or customer service, which will have a negative impact on the enterprise. If third-party service providers fail to comply with relevant laws, regulations and rules when providing services, the company may also face legal risks.

Money laundering risk: It refers to the process in which an enterprise fails to comply with laws, regulations or regulatory requirements, obtains illegal funds through false transactions and conceals the source of funds, and then uses methods to legalize the illegal funds. Money laundering involves important fields such as finance, real estate, trade, and games [16-17].

Risk points can be divided into financial risks and non-financial risks. Table 1 shows the classification of some financial risks and non-financial risks.

Table 1. Classification of risk points

Financial risk	Non-financial risk
Equity fluctuation	Business cycle
Financing flow	Operational risk
Asset liability risk	System failure
Credit risk	Natural disaster
Security risk	Market competition
Interest rate fluctuation	Reputational risk
Cash flow risk	Regulatory risk
Money flow	Information technology risk

3.2 Risk Control Methods

If an enterprise wants to effectively realize risk management of assets, it must have a complete internal control management system. A complete internal control management system requires attention to five key factors, namely information and communication, risk assessment, internal supervision, control activities and internal environment [18-19].

(1) Risk information collection

Establishing a systematic information collection mechanism to collect enterprise-related asset risk information, including potential risk events, industry trends and other information, and use appropriate communication tools and platforms, such as email, internal websites, instant messaging, etc., to integrate with the platform to prevent risks. In the actual operations of the company, attention should also be paid to the collection of information related to pipeline asset risk management.

(2)Information risk assessment

Internal information managers need to verify the accuracy and authenticity of collected information that may have an impact on the business. Identifying and eliminating erroneous or false information, and establish asset files to ensure the integrity of other information and information management.

(3)Internal supervision

Establishing an independent internal audit department or committee to conduct regular reviews and inspections of the implementation of asset risk management. Establishing a regular risk reporting and monitoring mechanism to ensure accurate disclosure and monitoring of the risk status of assets. Internal audits can be conducted through sampling surveys, document reviews, process reviews, etc., to achieve the ultimate goal of internal supervision.

(4)Internal environment

Enterprises should customize appropriate plans for themselves in accordance with relevant national laws and their own actual conditions, and formulate an organizational structure in which they should make corresponding decisions for relevant functional departments. Dividing and balancing the responsibilities of relevant functional departments, and make provisions for the shareholders' meeting, board of directors, board of supervisors, etc. It stipulates the rights and obligations of each position, and specifically recommends that internal audit work should be strengthened to ensure that the establishment of internal audit quality institutions and staffing are appropriate and independent. At the same time, the staffing of enterprise employees and subsequent professional ability training are also essential [20].

4. Results and Discussion

4.1 Survey Methods

The business risks faced by enterprises will evolve with changes in the economic environment and market competition. By surveying risks and controls in asset management, it can understand industry trends. Through actual inspection of enterprise asset management, risk response methods suitable for the enterprise's own characteristics can be found, and the company's asset management strategies and methods can be updated. Asset management is a project that involves a wide range of aspects. Without a practical understanding of the corporate structure and situation, it will be difficult to make correct risk response strategies. Through investigation, we can have a certain understanding of different types of asset management models and structures, and can also learn from different types of enterprises. This has a certain reference role for us to learn from the successful experiences of other companies and to communicate, coordinate, and make decisions within the company.

This article takes M Company (hereinafter referred to as "M Company"), an asset management joint-stock company, as an example to investigate and study it. Company M was established in 1998. Its main business scope is the acquisition and disposal of non-performing assets in M area, and the investment and disposal of equity assets. Figure 1 is the organizational chart of the enterprise.

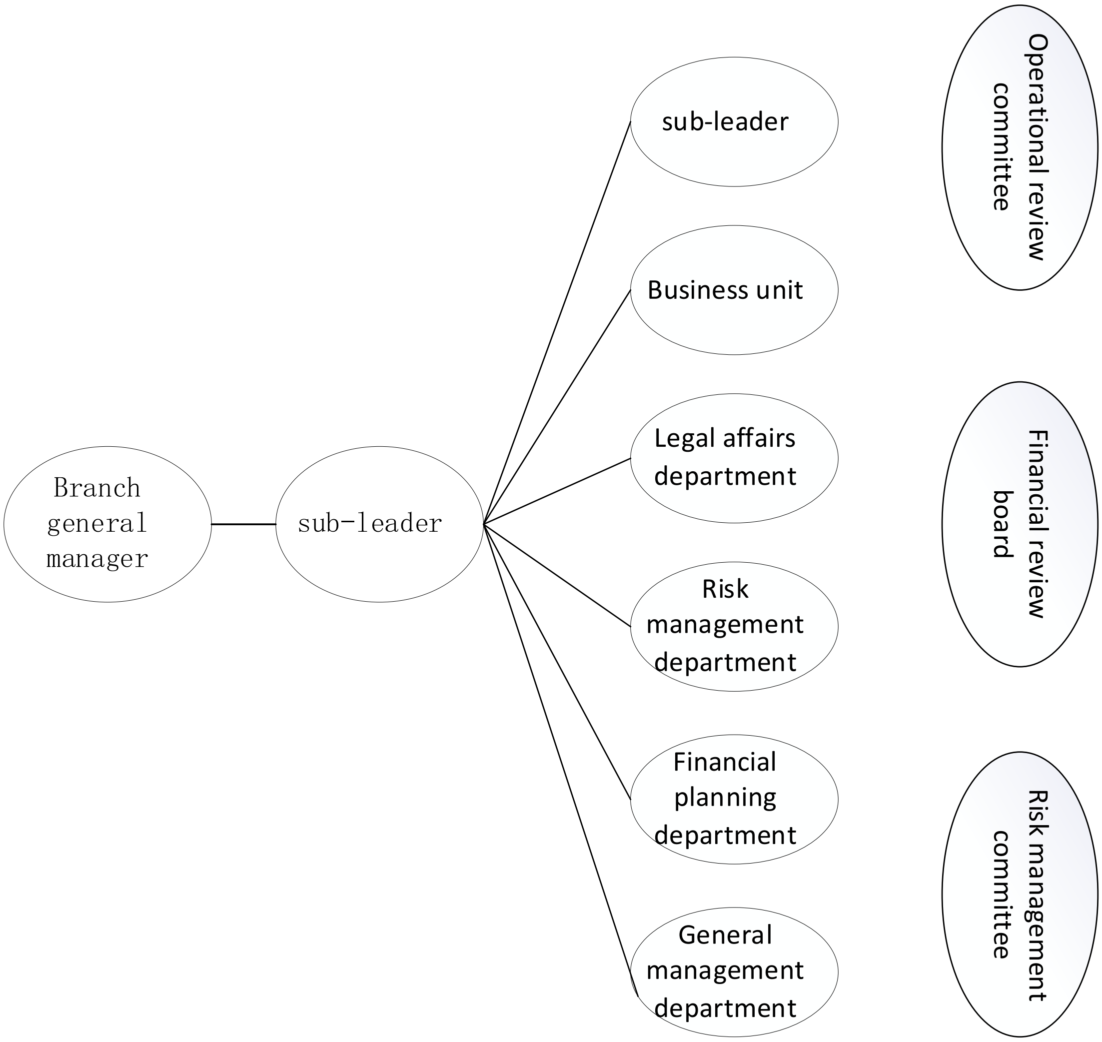

Figure 1. Organizational chart of Company M

In order to understand the internal situation of the company and find the factors that may cause the company to fall into risks, this article decided to conduct a more detailed investigation and use the results of the investigation to find the risk factors and provide corresponding solutions.

4.2 Survey Results

This article investigates the departmental personnel distribution of the enterprise and plots the survey results into a graph to make the results more intuitive. Figure 2 shows the distribution of personnel in the enterprise.

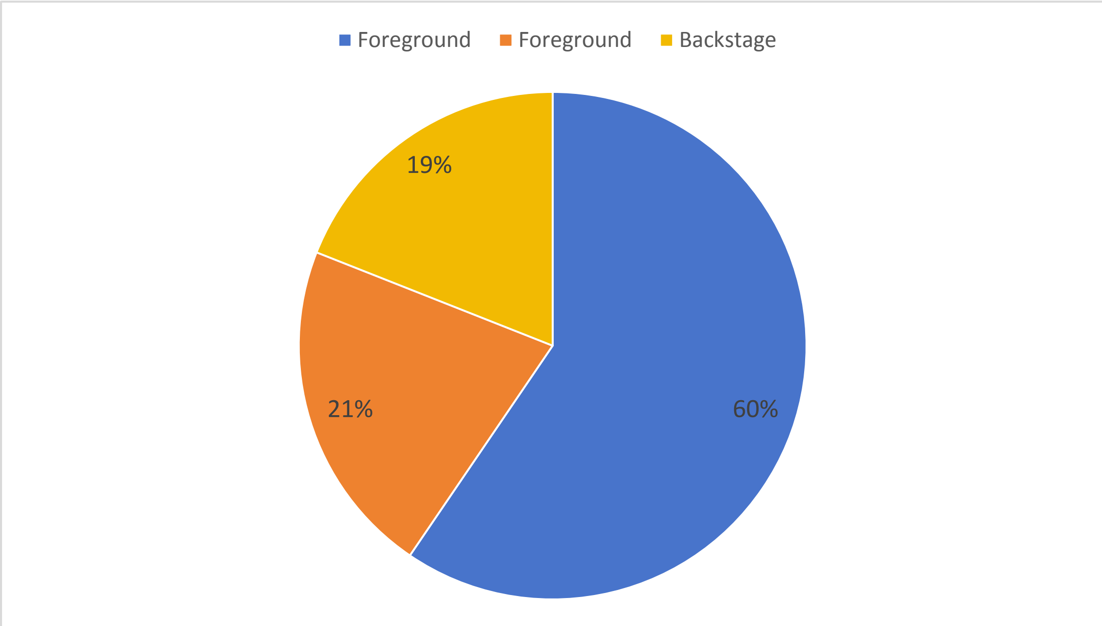

Figure 2. Proportion of front, middle and back-end personnel

In Figure 2, the company's personnel ratio was investigated and it was found that among the company's 121 department personnel, there were 72 people in the front desk, accounting for 60%; 26 people in the middle office, accounting for 21%; and 23 people in the back office, accounting for 19%. The employees in this enterprise department are unevenly distributed. Front desk employees account for 60%. There is a big gap between the number of employees in other departments. This has resulted in different levels of competition between the front, middle and back offices. The competitive pressure on the front office departments is too great and the incentive and restraint mechanisms cannot be effectively used.

In order to understand the source of profit of the company, this article investigated the distribution of non-performing assets acquired by the company and drew a statistical chart to analyze the company's acquisition of non-performing assets and find the risks faced by the company. Figure 3 shows the distribution of non-performing assets of enterprises in various fields.

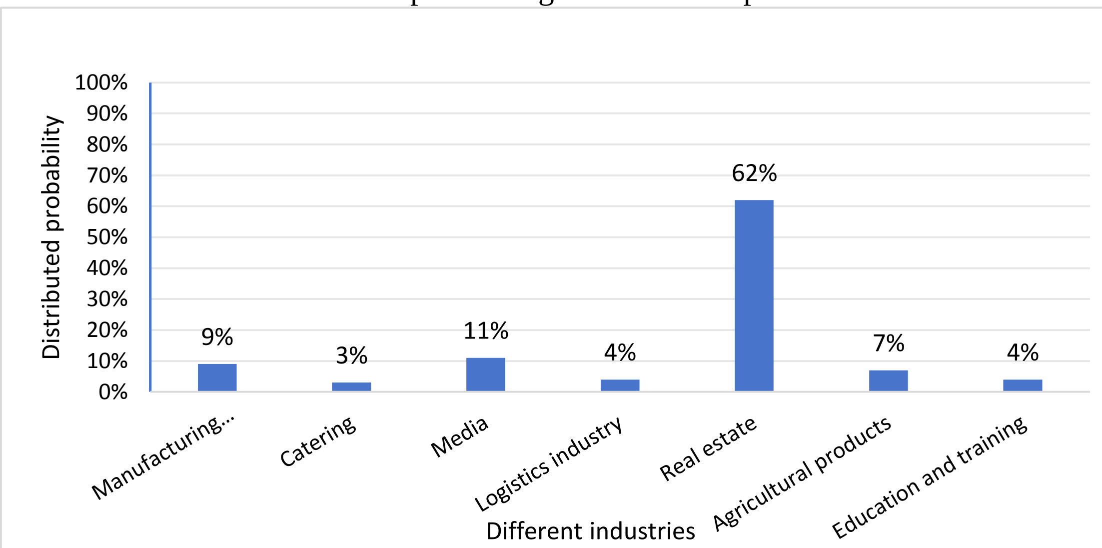

Figure 3. Distribution of non-performing industry assets

Figure 3 shows the survey statistics on the distribution of non-performing assets in different fields acquired by the company. The horizontal axis represents different industry fields, and the vertical axis represents the percentage of assets in this field to total assets. As can be seen from Figure 3, the company acquired less than 10% of the assets in the manufacturing, catering, logistics, agricultural products and education industries, the media industry only accounted for 11%, and the real estate industry assets accounted for 62%. The study found that the non-performing asset industry acquired by the company was too concentrated and risky.

4.3 Coping Strategies

(1) Balancing asset sources

For Branch M, the focus of corporate asset risks lies in the high proportion of real estate industry assets in its recycling business. Non-performing assets in various fields should be balanced in asset acquisition and reorganization to reduce risks caused by market changes.

(2) Establishing a risk early warning system

In this system, there must be experienced managers and professional accountants who can operate according to the specific conditions of the enterprise. They need to be able to analyze the company's operating conditions and formulate appropriate restructuring plans for corporate assets based on the company's current situation and future goals. In addition, this department also needs to be equipped with market analysts who have a deep understanding of the current status and development trends of the industry and can provide enterprises with effective market analysis and competitive strategy opinions.

(3)Informatization transformation of asset management process

By optimizing the asset management information platform, the entire life cycle of assets can be monitored. This mechanism enables the financial managers of the enterprise to monitor the operating status of the enterprise and the various risks faced by the enterprise in real time, and to detect and deal with the problems faced by the enterprise in a timely manner to ensure the stability and safety of the enterprise's assets.

(4) Enterprise structure adjustment

An unscientific member structure will lead to an imbalance in the level of competition and reduce employee motivation. The corporate member structure should be improved to achieve a stable balance among front, middle and back-office members. According to the importance of the position and its contribution to the enterprise, reasonable deployment will be carried out to ensure that there will be no shortage of people in key positions. Establishing a fair and transparent performance appraisal system to provide employees with development space to encourage their continuous development.

5. Conclusion

This article conducts analysis and research with the purpose of enterprise asset management risks and management and control strategies. Based on previous research results, this article deeply analyzes the possible risks of enterprise asset management and proposes methods to control risks. This article also takes Company M as an example, conducts investigation and research on its asset structure and personnel structure, finds out the existing risks of the enterprise, and provides corresponding optimization measures. The actual situations of different enterprises are different and the optimization strategies they require are also different. In short, if an enterprise wants to control asset management risks in various ways, it must start from aspects such as financial management and control, asset security and risk prevention, operational management and process control, as well as market analysis and risk warning to formulate a control strategy suitable for the enterprise itself.

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