

Asset Structure and Company Performance

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Abstract: With the emergence of environmental, social, and governance factors, understanding the relationship between asset structure and company performance has become increasingly important. The asset structure involves debt ratio, capital structure, and liquidity. For a company, a reasonable asset structure determines its financial stability and profitability. Studying the relationship between asset structure and company performance helps to gain a deeper understanding of the impact of financial management decisions on business performance. This article conducted research on the definition and classification of asset structure, used measurement standards for company performance, and analyzed the impact of asset structure on company performance. Three strategies were proposed for optimizing asset structure, including carefully planning capital budget, effectively managing asset liability structure, and fully utilizing intangible assets, to improve company performance. The following conclusions were drawn. Through a questionnaire survey experiment, six department managers gave a comprehensive score of 93.7 for the three major asset structure optimization strategies, and the capital budgeting strategy was relatively more critical compared to asset liability management and intangible asset management strategies. This indicates that the optimization of asset structure strategy has indeed played a crucial role in practical operation and is recognized by the majority of enterprise managers.

1. Introduction

Asset structure has a significant impact on companies, investors, and policy makers. For companies, optimizing their asset structure can improve profitability, reduce financial risks, and lay

the foundation for sustainable growth. For investors, understanding a company's asset structure can help them evaluate investment risks and potential returns. Therefore, it is necessary to optimize company performance from the perspective of asset structure.

There are many research theories on asset structure and company performance. Xiao M Q conducted an empirical test on the correlation between asset structure and corporate performance of all listed companies in Shanghai and Shenzhen stock exchanges. Finally, it was found that the operational asset structure representing asset structure has a positive impact on the financial performance of the company [1]. Feng R studied the impact of inflation on corporate asset structure and how this impact is reflected in corporate performance, using a macro to micro research perspective to illustrate the mechanism of inflation on enterprises [2]. Zhou T used Chinese real estate listed companies as a sample to study the internal correlation between asset structure, capital structure, and performance. He found that companies need to retain more liquid assets to reduce the expected cost of financial distress [3]. Ma Y N used a research method that combines qualitative and quantitative data, based on panel data of A-share listed sports companies, to empirically analyze the impact of sports company financing structure on performance and risk [4]. Understanding and analyzing asset structure is crucial for understanding a company's financial situation and formulating investment strategies [5-6]. The use of various research theories and methods above can effectively improve company performance, but there is a lack of specific experimental validation analysis.

The explanation of the impact of asset structure on company performance is a major focus of this paper. For policy makers, a deep understanding of the relationship between asset structure and macroeconomic stability can guide the formulation of financial regulatory policies. This article ultimately proposed three effective asset structure optimization strategies to improve company performance, which have been proven effective through questionnaire surveys and experiments.

2. Definition and Classification of Asset Structure

Asset structure refers to the composition and distribution of all assets of a company or organization [7-8]. It reflects the company's resource allocation strategy, including various types of assets, such as cash, accounts receivable, fixed assets, and intangible assets [9-10]. Therefore, the asset structure can be divided into three main parts according to the above definition: current assets, fixed assets, and other assets. The structural analysis of its three different assets is shown in Figure 1:

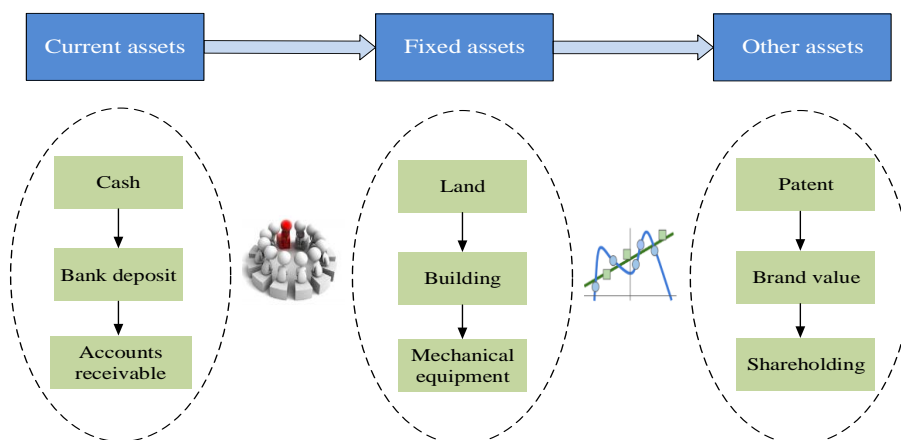


Figure 1. Analysis of asset structure types

The assets that a company can quickly realize or convert into cash within a year are defined as current assets, mainly composed of cash, bank deposits, accounts receivable, short-term investments, and inventory. The main purpose of current assets is to support daily business activities, meet short-term debts, and maintain liquidity. Fixed assets refer to long-term assets held by a company, generally represented as assets such as land, buildings, machinery and vehicles that have been used for many years, and are mostly purchased to support production and provide services. Other assets include intangible assets and long-term investments. Intangible assets specifically refer to patents, trademarks, brand value, and software, which bring a competitive advantage to a company but do not have a material form. Long term investments are represented as equity investments and debt investments held by the company in other companies.

The reasonable management of asset structure is crucial for a company as it directly affects its liquidity, profitability, and risk tolerance. The company needs to adjust its asset structure based on its strategic goals and industry needs to maximize its performance.

3. Exploring Strategies to Improve Company Performance

3.1 Measurement Standards for Company Performance

Corporate performance is a way of evaluating and measuring a company's performance in its economic activities [11-12]. A fair and just performance evaluation system can provide key information about the company's operations, profitability, growth potential, and market position, help management make strategic decisions, and attract investors and creditors, so as to improve business processes, employee morale, and brand reputation, and ultimately promote the sustainable development and success of the enterprise [13-14]. Performance evaluation helps companies identify problems and implement improvement measures to ensure competitiveness in a constantly competitive business environment [15-16].

The measurement standards for company performance are divided into two aspects: financial and non-financial. Financial performance mainly focuses on the company's economic performance and financial health, including net profit, operating income, and return on shareholder equity. These indicators can intuitively reflect the company's profitability, growth, and capital efficiency, and are key factors for investors, management, and other stakeholders to evaluate the company's value and future development potential [17-18]. Non-financial performance focuses on the company's operational efficiency, brand reputation, customer satisfaction, employee satisfaction, and market share. Although these indicators are not directly reflected in the financial statements, they have a significant impact on the company's long-term success and competitive advantage [19-20].

Net profit is the net income of a company after deducting all expenses (operating costs, interest, taxes, etc.). Analyzing the profit margin helps to understand the company's profitability and cost control efficiency. The calculation of profit margin is shown in Equation 1:

$$P' = \frac{P}{R} \times 100\% \quad (1)$$

Among them, P represents net profit and R represents total revenue. Companies can increase profit margins by increasing prices, reducing costs, or increasing sales volume. The Return on Equity (ROE) measures how a company utilizes its assets to generate profits, and its analysis can help investors and management understand the company's asset utilization efficiency. The calculation of asset return rate is shown in Equation 2:

$$ROE = \frac{P}{ASE} \times 100\% \quad (2)$$

Among them, ASE (Average Shareholders' Equity) represents average shareholder equity, which is generally the average value of shareholder equity at the end of two accounting periods. Improving ROE can involve increasing net profit, enabling more effective utilization of capital or reallocation of capital structure. This article collects annual financial and non-financial data of a certain enterprise over the past five years, as shown in Table 1:

Table 1. Financial research data table of a certain enterprise

Year	Net profit (million US dollars)	Operating revenue (million US dollars)	Customer satisfaction (out of 10)	Market share (%)
2018	50	200	8	15
2019	57	220	8.6	16
2020	65	250	9	18
2021	74	280	9.5	20
2022	86	320	9.7	23

From Table 1, it can be observed that the company has significantly improved its financial and non-financial performance over the past five years.

3.2 Impact of Asset Structure on Company Performance

The asset structure, which refers to the composition of a company's liabilities and equity, has a profound impact on the company's performance. Excessive debt may increase financial risk, leading to increased interest expenses, while insufficient debt may mean that the company has not fully utilized leverage to increase shareholder returns. Therefore, finding a suitable balance of asset structure is particularly crucial for ensuring the long-term health and success of the company. The impact and specific explanations are shown in Table 2:

Table 2. Analysis of the impact of asset structure on company performance

Effect	Analysis
Liquidity management	The more liquid assets held, the stronger their short-term solvency
Investment decision and profitability	Excessive fixed assets can lead to excessive depreciation and maintenance costs
Risk and return	Different types of assets bring different returns and risks
Capital cost	High proportion of liabilities increase financial expenses, but appropriate liabilities can reduce the company's capital cost
The leverage effect of the balance sheet	Different asset returns and debt costs have different impacts on shareholder equity returns
Asset aging and renewal	Regularly updating and replacing assets can ensure that the company remains competitive

From the perspective of liquidity management, the more liquid assets a company holds, the stronger its short-term solvency, but it can lead to inefficient use of capital. However, having too few current assets can result in a company facing liquidity risk, which means it is difficult to meet its debt and operating capital needs in the short term. Regarding investment decision-making and profitability, excessive depreciation and maintenance costs incurred by a company's fixed assets can improve production capacity and market competitiveness if converted to an appropriate amount. Intangible assets such as brands, patents, and technology can bring a competitive advantage to the company, but they also need to be maintained and updated. From the perspective of company risk and return, different types of assets bring different returns. In some cases, R&D investment may not generate returns in the short term, but it leads to technological leadership and market share growth in the long term.

The cost of capital, the leverage effect of the balance sheet, and the aging and updating of assets are all double-edged swords. When the return on assets of a company is higher than its cost of liabilities, increasing liabilities can increase the return on shareholder equity; However, when the return on assets is lower than the cost of liabilities, increasing liabilities lower the return on shareholder equity. Therefore, the company needs to optimize its asset structure based on its business model, market environment, and long-term strategy to achieve optimal performance.

3.3 Optimizing Asset Structure to Improve Company Performance

Based on the analysis of the impact of asset structure on company performance mentioned above, in order to optimize asset structure and improve company performance, the following three optimization strategies can be proposed: carefully planning capital budget, effectively managing asset liability structure, and fully utilizing intangible assets. Effective capital budgeting is the key to optimizing asset structure, which involves wisely allocating capital resources to achieve maximum returns. Companies should carefully evaluate investment projects, considering their expected cash flows, risks, and returns to ensure the selection of projects with high return potential.

Regarding asset liability management and intangible asset management, maintaining an appropriate asset liability structure for the former is crucial for reducing financial risks. The company needs to manage its debt levels to ensure that the debt burden it can bear is not too heavy, and to ensure that the cost of debt is controllable. In addition, the company can consider diversified financing channels, including equity financing and bond financing, to reduce financing costs. Maintaining appropriate liquidity is also a part of asset liability management to ensure that the company can respond to short-term and sudden funding needs. The brand value, patents, technology, and customer relationships of the latter have a significant impact on the company's value. The company should actively manage and protect these intangible assets to ensure that they generate maximum value. This can include protecting intellectual property rights, conducting marketing to enhance brand value, and continuously innovating to maintain competitive advantages. Through efficient intangible asset management, companies can enhance their market position, increase profitability, and optimize their asset structure.

4. Questionnaire Survey Experiment

After completing the strategy analysis of optimizing asset structure to improve company performance, a questionnaire survey experiment was conducted to evaluate the actual effectiveness of the three strategies.

Before conducting a questionnaire survey experiment, in order to ensure the accuracy of the survey results, six department managers from a certain enterprise were randomly selected and numbered A-F as survey samples to investigate their comprehensive evaluation of the three

important strategies for optimizing asset structure. Experimental purpose: Participants' satisfaction with the company's asset structure optimization strategies (capital budgeting, asset liability management, intangible asset management) was studied, and their overall impression of these strategies was understood. Meanwhile, for the convenience of the experiment, basic information on capital budgeting, asset liability management, and intangible asset management was provided. Subsequently, the overall importance of the three major strategies was evaluated and visualized using scores, measured in a 0-100 point scale. According to its criteria, it is assumed that a rating of 80 or more can be considered compliant and 90 or more can be considered more satisfactory. The experimental results are shown in Figure 2:

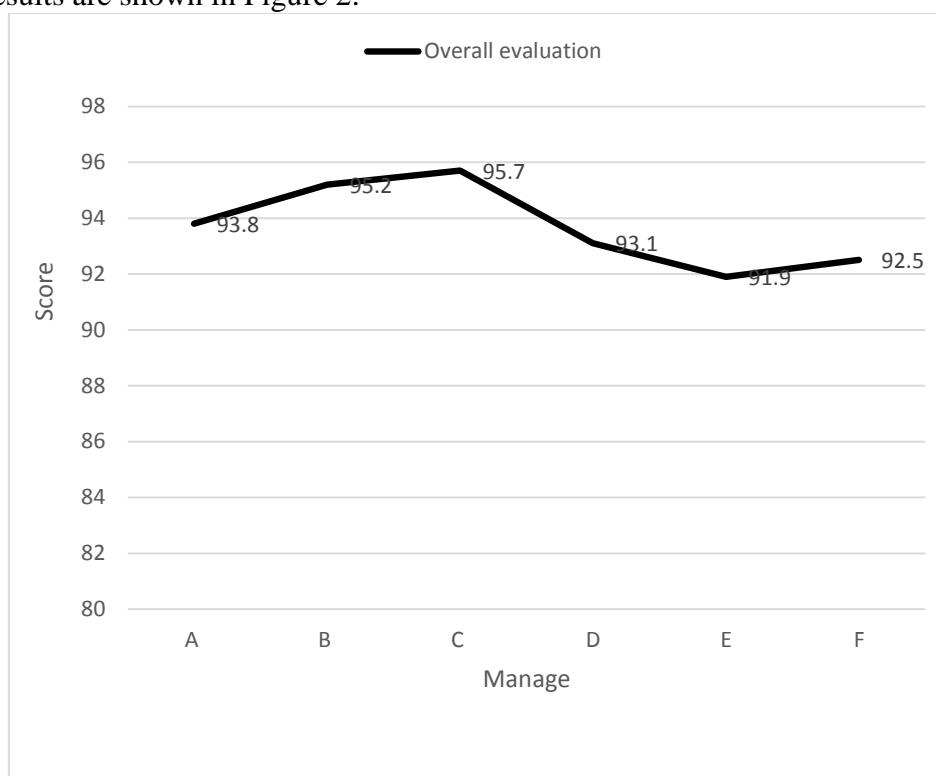


Figure 2. Questionnaire survey results on asset structure optimization strategies

Among them, the black line represents the overall evaluation of the three major asset structure optimization strategies by six department managers of the enterprise. It can be seen that department manager C had the highest satisfaction score of 95.7 points; department manager E had the lowest satisfaction score of 91.9 points; the six managers had a comprehensive score of 93.7 points for the three major asset structure optimization strategies. This indicates that the optimization strategies of capital budgeting, asset liability management, and intangible asset management have a good effect on improving company performance.

After discussing the overall evaluation results of the asset structure optimization strategy mentioned above, the questionnaire survey experiment was continued, mainly focusing on the importance ranking of participants' capital budgeting, asset liability management, and intangible asset management strategies, and was rated (up to 10 points) to determine which strategy is most critical to company performance in their view. The specific results are shown in Figure 3:

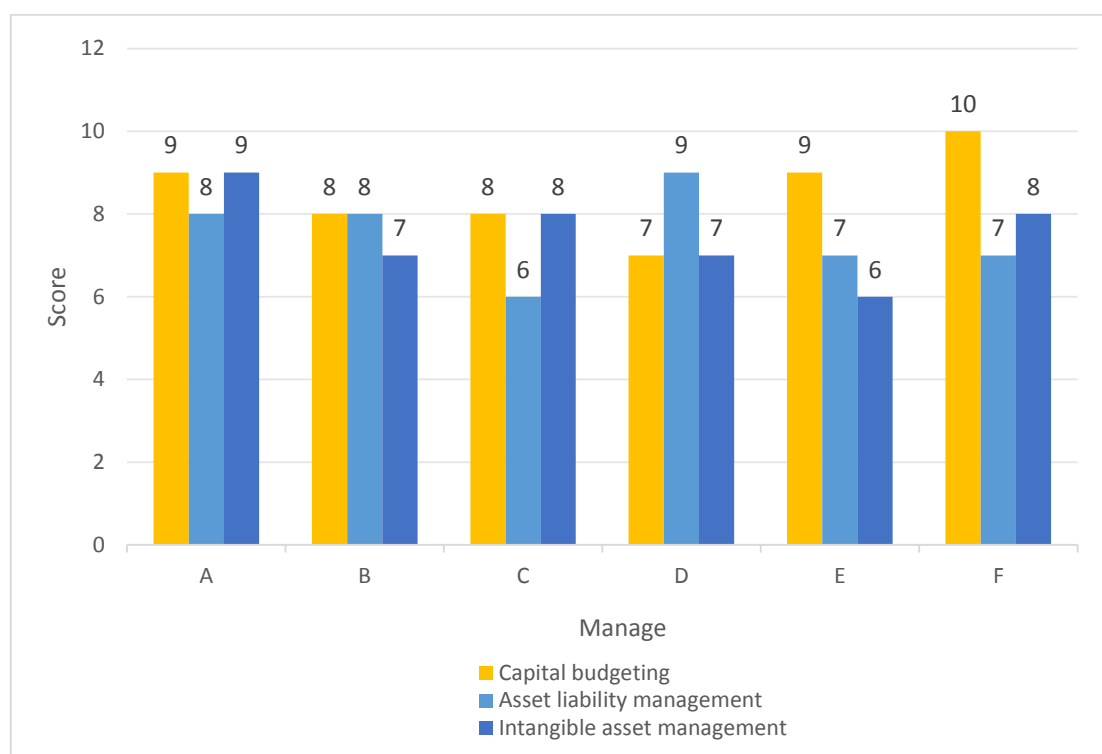


Figure 3. Questionnaire survey results on prioritizing the importance of optimization strategies

Among them, the yellow column represents the ranking and scoring of six department managers on capital budgeting; the light blue represents the ranking and scoring of asset liability management, and the deep blue represents the ranking and scoring of intangible asset management. It can be concluded that the average score for capital budgeting strategies was 8.5 points, while the average score for asset liability management and intangible asset management strategies was 7.5 points. This indicates that among the three major asset structure optimization strategies, capital budgeting strategy is relatively more crucial, which may be because it involves how companies allocate and invest their limited financial resources, which directly affects the company's financial health and long-term development.

5. Conclusions

Modern organizations are facing increasingly complex business environments and management challenges, requiring effective management tools to support decision-making and control. The enterprise accounting system, as an important management tool, can provide financial information to support managers' decision-making and performance evaluation. This article was based on the exploration of measurement standards for company performance, mainly providing specific explanations for the calculation equations of profit margin and asset return rate. Subsequently, the impact of asset structure on company performance was analyzed, and three strategies for optimizing asset structure were concluded: carefully planning capital budget, effectively managing asset liability structure, and fully utilizing intangible assets to improve company performance. Finally, a questionnaire survey experiment was adopted to verify the accuracy of the optimization strategy. This article aimed to contribute to a detailed study of asset structure and company performance in China through theoretical and empirical research. Due to the small sample size of department managers in the selected questionnaire survey, there are still many shortcomings and shortcomings in the conclusions proposed in this article. Further improvements and improvements would be made

in future research.

Future research can further explore the impact of different industries, market conditions, and company size on asset structure. This helps companies better optimize their asset structure based on their specific circumstances. On this basis, it is also possible to analyze the impact of different asset structures on the company's financial risks, especially in periods of economic instability, how the adaptability of asset structures affects company performance. With increasing attention paid to sustainability, exploring the relationship between asset structure and sustainability goals has become widely concerned. These research directions would help provide companies with more practical financial management advice and better understand the impact of financial decisions on the overall economy and society.

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If any, should be placed before the references section without numbering.

Data Availability

Data sharing is not applicable to this article as no new data were created or analysed in this study.

Conflict of Interest

The author states that this article has no conflict of interest.

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