Resource Integration, Risk Management and Liquidity Management Strategies

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Abstract: The financial impact caused by the pandemic has swept the world. So far, although China has made great achievements in fighting against the pandemic, production and living order has been restored, but enterprises have faced problems in operation and management after more than half a year. For example, low resource utilization rate, weak integration ability, insufficient risk awareness, blind expansion in disadvantaged situation, high risk of financial leverage, long enterprise business and so on. The following article will conduct research on resource integration, risk management and liquidity management, and provide suggestions for enterprises to survive the economic impact of the pandemic smoothly.

Key words: Resource integration; Risk management; Liquidity management

Publication date: October, 2020
Publication online: 31 October, 2020
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The pandemic that started at the end of 2019 has hit the pause button on business development. Facing this economic shock, various companies encountered different situations. Part of the enterprise cannot operate, enterprise faces operation difficulties. The economic development has been devastated, with almost all industries have been impacted. Many enterprises are on the verge of collapse, with the previous business problems have also been more apparent, and the dual pressure from the external factors. To achieve long-term stable development, there is a need in continuous research and practices of resources integration, risk management and liquidity management in the entrepreneurship.

1 Resource Integration Strategy

Resource integration is an issue at the business strategic level. Enterprises organize and coordinate their own resources, and integrate the independent and related skills into the enterprise system, and the resources of all parties that have independent economic interests and participate in related economic activities inside and outside the enterprise, to achieve the common pursuit of value, to properly allocate all resources, and continuously improve and optimize the allocation through the management model, to obtain greater economic benefits and avoid waste and internal depletion[1]. Resources This should analyze, organize and coordinate both internal and external resources, so that the various aspects of enterprise operations can be coordinated and optimally allocated to promote the healthy and orderly flow of resources within each link and create a valuable enterprise system[2]. The enterprise’s integration of external resources depends on the relationship between the enterprise and the market. There are suppliers in the upstream and demanders in the downstream, and the enterprise’s resources are extended in both directions to form a coordinated, effective and stable industrial chain.

Many companies were unable to receive orders during the pandemic, no access to raw materials, no delivery orders, and had difficulties in all aspects of their manufacturing operations. China has a huge number of export-oriented enterprises, and the global pandemic has dealt a severe impact to export industries. The companies are experiencing material shortages, overstocking of products, and delayed payments from
suppliers and constrained operations. It has made companies to re-examine the validity of their resource allocation.

Firstly, the enterprise should reduce the unnecessary resource investment, the scarcity of resources is obvious, and focus on profitable business, resolutely focus on basic profitable business, careful screening of the other additional industries, to avoid waste of resources in additional business[3]. Doing a good job of subtracting from the business, keeping a steady hand in familiar and skilled areas, and avoiding the involvement in unfamiliar business during this situation. Both empty promises and blind exploration can easily waste a company’s scarce resources. Secondly, enterprises should take the initiative to meet the changes and transformation themselves. Economic shocks have made many enterprises realize the limitations of manpower. Improving their automation, digitalization and intelligence has become a major trend, prompting enterprises to upgrade their technology, management capabilities and embrace the opportunities brought by environmental changes. The constant clinging to defects seems to save resources, but paves the way for greater waste of resources in future[4]. Finally, after the economic shocks, many industries have eliminated outdated production capacity and been forced to restructure and upgrade the enterprise systems. Enterprises should seize the opportunity, take stock of the situation, identify their idea from the exploration of external development, and rapidly meet the needs of the market economy to adjust the direction of development.

Companies integrate resources, set clear and workable goals, monitor the process, and are being results-oriented. Enterprise managers should analyze the resources that need to be invested to achieve the goal, analyze the available and insufficient resources, the way to replenish the insufficient resources, integrate the mandatory resources from the external, and coordinate with the internal resources to achieve the goal of enterprise development[5].

2 Risk management and control strategies

In the growing of the enterprise, there is always risk accompanying the development of enterprises all the time. Risk management ability is an important part of the core competitiveness of enterprises, which is crucial to enterprise development. Before the emergence of the pandemic, the risk management capacity of Chinese enterprises is still at the stage of just beginning to study and learn from countries with a complete experience in risk management and control. All enterprises must face the risk management and control, the difference between the level of risk management and control with developed countries based on the impact brought during the pandemic. These enterprises manage their risk control based on their own actual environmental conditions and continuously improve their risk management and control-related policies and laws and regulations[6]. Risk management has gradually become the most basic management mode of enterprises regardless of size and type of enterprises. Enterprise risk management starts with the following:

Firstly, the business area, so that we can build on our strengths and minimize our weaknesses. Thus, we can focus on corporate branding and product quality assurance. Being competitive in market and gaining profits simultaneously, this also ensure the stability of human resources and the promotion of corporate culture. Therefore, the enterprise risk will be minimized in a good development environment, with having the spare capacity to improve the management level and further strengthen risk control. Secondly, on the financial side, companies strictly follow their budget constrains to reduce financial risks. The risk management related to finance is categorized into objectives and integrated into the corporate budget, so that budget management and risk management can coordinate and support each other to improve financial management efficiency. Besides, enterprises can raise the financial management to the strategic level of the enterprise, refine the financial objectives, and scientifically manage the financial activities of all aspects of the enterprise’s operations. Again, in human resource management. If the supply

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<th>finance lease</th>
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<td>finance lease</td>
<td>Pawn financing</td>
<td>Investment Adviser Management consulting mergers and acquisitions (M&amp;A)</td>
<td>VC PE</td>
<td>Structured factoring</td>
<td>Supply chain optimization</td>
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Table 1. Partial approach to resource integration
of human resources is inadequate, labor costs will increase significantly and employee stability will be poor, affecting the growing stability of the business. Business leaders need to focus on risk management in human resources, and continuously improve and expand the candidates’ information available to the company besides expanding the recruitment methods. The enterprises should improve performance management and salary structure continuously to ensure that employees’ contribution and pay is directly proportional to the scientific and reasonable salary level, which can stabilize the mindset of employees. In addition, the use of incentive policies and performance appraisals to push employees to improve their business skills, pursue higher income and improve their self-value. Through regular training, employees can gain and improve their business skills. Enterprises give employees a three-dimensional space for progress and a variety of ways to improve, which helps ensure a stable output of human resources. Finally, the legal aspect. There are legal and regulatory risks in the business environment which can lead to serious consequences if not prevented in a timely manner. Enterprise managers should be aware of the law, but also enforce and abide by the law, defend the dignity of the law with practical actions, and avoid bringing the enterprise into a situation of legal risk. From the external perspective, law-abiding business is the basic strategy. While from the internal perspective, it should have a clear internal control process and risk prevention mode if the enterprise wants to develop healthily. The concept of management has evolved from crisis communication after a risk in the concept of management, enterprises should improve the management level to avoid risks[7]. With the professional guidance of legal advisors, the business goals are placed in a safe situation for steady development. In terms of the business process of risk management, compliance with Figure 1.

3 Liquidity management strategies

In terms of risk management, cash flow is a fundamental safeguard in business development, especially in the post-pandemic era, where cash flow has become a fundamental lifeline, like the main element of business, and is adhered to by many companies. Many enterprises in China are currently undergoing transformation and upgrading or strategic restructuring among themselves, and they are moving towards diversification in an attempt to open up a larger market, allowing for a broader field of development, promoting economic efficiency, and expanding the enterprise scale[8]. However, scaling up should be a decision made at a certain stage of development after thorough scientific consideration and evaluation, rather than a hurriedly-made decision under difficult circumstances. If pursuing new areas and developments regardless of the availability of own resources, the enterprise might be prone to cash flow breakdowns. In the aftermath of the economic shock, the financial markets have tightened their control over credit, making it harder for companies to raise capital, and they are likely to hurt normal business operations if there is cashflow problems. The current economic situation makes enterprises more aware of the importance of cash flow. To survive and develop, enterprises should develop and investigate.

Figure 1. Risk management process

Figure 2. Impact of cash flow on business
ideal risk management strategies to ensure normal cash flow (Figure 2).

First, the company should grow steadily in its basic main business, their area of strength, to ensure stable income and the cashflow is safe. Stable and secure cash flow provides a foundation and guarantee for business management and development strategies. Stable cash flow requires good risk management and a combination of short-term and long-term return business. Under normal economic conditions, businesses with longer return periods are less affected by economic shocks and can provide a more stable cash flow, while short-term businesses with quicker returns through cash can generate substantial profits when the economic conditions improve [9]. The combination of these two returns will ensure a stable cash income for the business. Second, to reduce the risk of cash flow, the enterprise should be firm and steady in its financial strategy and increase the share of cash assets held by the firm. For better credit, more stable state bonds, government bonds, etc. to increase the proportion of holding, the risky stock investment to reduce the proportion of holding, for the risky very high yield corporate bonds and other products to avoid. Companies with low balance sheets and cash holdings of 20 percent or more of their total assets are prepared for emergencies such as pandemics and prolonged economic shocks. Finally, the company ensures stable cash flow with the idea of a combination of countermeasures. The enterprises should establish investment in the business, get out of the unprofitable business and prevent losing in time [10]. They should start by selling distressed assets and reducing the shareholding of average income to secure a share of cash and use the cash in areas of strength with stable income. Besides, they should analyze, identify and exploit opportunities in the market and reach the corporate marketing mission. With analyzing competitors, anticipating changes in the market and facing all threats in the market environment, enterprises can respond effectively. Therefore, enterprises should replenish financial needs, reduce risks and ensure the health and stability of the business.

4 Conclusion

In the post-pandemic era, enterprises need to continuously integrate internal and external resources, establish and improve risk management and control, and strengthen liquidity management by working together from all aspects. Through the improvement in management capacity, enterprises has play an important role in deepen the research and practice constantly on the business strategy, business organizations, resources and other aspects based on the enterprise’s own characteristics and exploration of their own advantages. Therefore, this improve the competitiveness of enterprises in the market to achieve long-term stable development.

References