Proceedings of Business and Economic Studies, 2024, Volume 7, Issue 2
http://ojs.bbwpublisher.com/index.php/PBES
Online ISSN: 2209-265X
Print ISSN: 2209-2641

Innovative Strategies for Financial Investment Management Strategies of Enterprises in the New Era

Xuanyi Huang*

EnvisionX Capital, Temple City, California 91780, USA

Corresponding author: Xuanyi Huang, ahuang@envisionxcapital.com

Copyright: © 2024 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

Abstract: With the in-depth development of economic globalization and the continuous emergence of new technologies, the importance of enterprise financial investment management strategy is becoming more and more prominent. The traditional financial investment management strategy can no longer meet the needs of enterprises in the new era and needs to be innovated with the times. For enterprises, the effectiveness and scientificity of financial investment management strategy will directly affect the competitiveness and long-term development of enterprises. Therefore, this study chooses the innovation based on the financial investment management strategy of enterprises in the new era as the research theme, aiming at exploring the innovative strategy to adapt to the needs of enterprises in the new era.

Keywords: New era; Financial investment management; Innovative strategy

Online publication: April 29, 2024

1. Introduction

With the expansion of the scale of modern enterprises, it is inevitable for enterprises to develop in the direction of diversification, and cross-industry development and conglomerate development are considered to be the inevitable trends for the future development of large enterprises [1]. The traditional financial investment management strategy in the new era has gradually revealed some problems and limitations, therefore, it is necessary to explore the innovative direction and methods of the financial investment management strategy of enterprises in the new era from the perspective of industry expertise. Moreover, new-era enterprises are facing many challenges and opportunities, which need more flexible, intelligent, and innovative financial investment management strategies to cope with. Therefore, the significance of this study is to provide enterprises with a new way of thinking and methods to adapt to the requirements of enterprise financial investment management in the new era. The purpose of this study is to explore innovative strategies based on the financial investment management strategies of enterprises in the new era and to analyze their impacts and effects on enterprises. Through in-depth analysis and research on the financial investment management of enterprises in the new era, this study is expected to provide enterprises with an innovative strategy to adapt to the needs of the new era and promote the sustainable development of enterprises.

2. Problems and deficiencies of traditional enterprise financial investment management strategy

2.1. Insufficient risk management

The traditional enterprise financial investment management strategy has some deficiencies in risk management, failing to identify and assess risks promptly, leading to increased blindness and uncertainty in investment decisions. Its main deficiencies include the following:

(1) Incomplete information acquisition and analysis: Traditional strategies often fail to acquire and analyze all relevant information promptly in the face of a complex market environment.

(2) Lack of scientific risk assessment model: Traditional strategies may not have established an effective risk assessment model to quantify and measure the size and probability of risk.

(3) Inadequate risk prevention mechanism: Traditional strategies may not have sufficiently considered risk prevention measures, such as stop-loss and diversification.

2.2. Unreasonable asset allocation

The traditional enterprise financial investment management strategy lacks scientific models and methods in asset allocation and is unable to effectively utilize the enterprise's resources, resulting in inefficient capital operation. There are mainly the following defects:

(1) Lack of diversified asset allocation: The traditional strategy may be too focused on some specific areas or assets while ignoring the importance of diversified asset allocation. In this way, companies are vulnerable to specific market risks, increasing the risk of the overall portfolio.

(2) Lack of dynamic adjustment mechanism: Traditional strategies may lack a timely asset allocation adjustment mechanism to flexibly adjust to market changes and asset performance. This makes it difficult for firms to grasp market opportunities and reduce investment risks.

(3) Single reliance on traditional indicators: Traditional strategies may rely excessively on traditional financial indicators or rules of thumb for asset allocation, and lack methods based on scientific models and data analysis. This may lead to a decrease in the accuracy and efficiency of investment decisions.

2.3. Lack of foresight in investment decision-making

The traditional corporate financial investment management strategy focuses too much on short-term interests and lacks forward-looking judgment on long-term trends and market changes, resulting in a lower success rate of investment decisions. The reasons included:

(1) Short-term pressure: Enterprises may be subject to short-term performance and market fluctuations in the pressure, resulting in excessive attention to short-term interests and fluctuations, while ignoring the accumulation of long-term value.

(2) Lack of long-term planning: Some enterprises may lack clear long-term strategic planning, leading to overly one-sided and short-sighted investment decisions.

As shown in **Figure 1**, investment foresight is of great significance to enterprises and individuals when making decisions. In the case of China's auto finance market, forecasts of growth momentum in the coming years can help companies and individuals better formulate growth strategies and investment plans. At the same time, the projected compound annual growth rate can also be used as an indicator to assess the return on investment for companies or individuals.

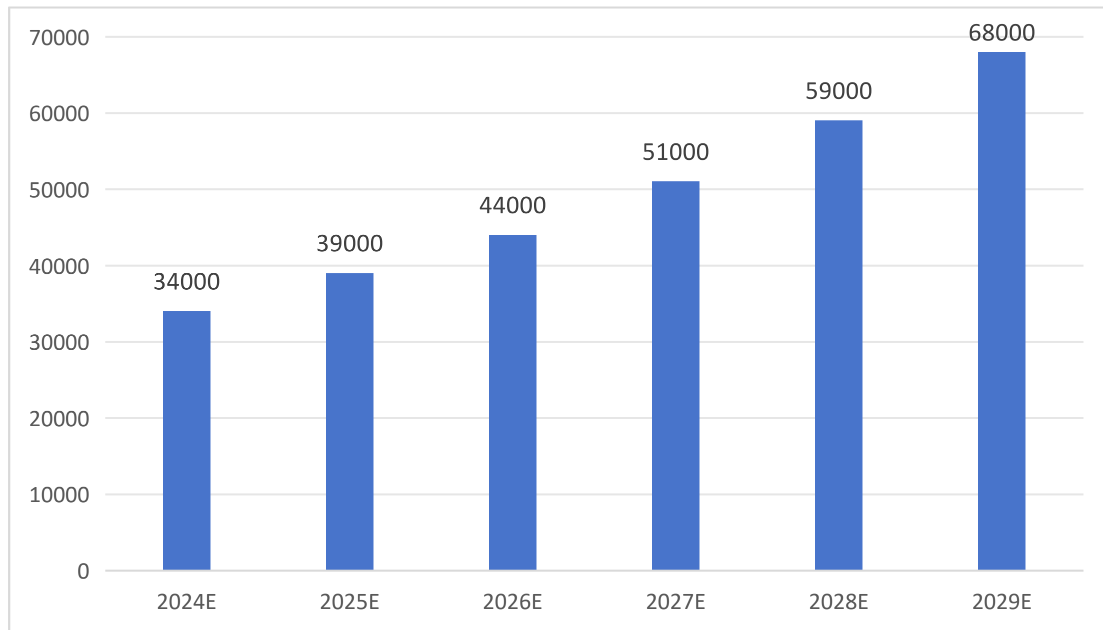

Figure 1. China auto finance market size forecast 2024–2029 (in billion yuan). Information from Prospect Industry Research Institute

3. Overview of corporate finance investment management strategies in the new era

3.1. Overview

Enterprise financial investment management refers to a management method in which enterprise managers correct and improve their financial investment activities according to the actual situation of the enterprise's development, combined with changes in the external market, and its purpose is to reduce the risk of enterprise financial investment activities, thereby enhancing the value of financial investment activities [2]. The development of financial investment management strategy can be traced back to the modern portfolio theory in the 1950s, which was first proposed by Harry Markowitz. Afterward, with the development of the financial market and the continuous innovation of financial products, the investment management strategy has gradually become an important part of corporate financial management. In the process of development, the financial investment management strategy has gradually developed from traditional asset allocation and risk management to a more integrated and diversified investment management model, such as value investment, growth investment, equity investment, and risk investment. In the economic environment of the new era, enterprises face increasingly complex and diversified market risks and competitive pressures. The formulation and execution of financial investment management strategies are crucial for enterprises to effectively cope with market risks, realize investment returns, and enhance competitive advantages. At the same time, the rapid development of the financial market and financial products in the new era provides more investment choices and opportunities for enterprises and also provides more possibilities for the innovation of financial investment management strategy.

3.2. The financial investment management strategy of enterprises in the new era has the following characteristics

(1) Diversified investment portfolio: The financial market in the new era provides more diversified investment tools and products, and enterprises can build diversified investment portfolios according to their own needs and risk-bearing capacity to reduce risks and achieve better returns.

(2) Technology-driven and data intelligence: Financial investment management strategies in the new era rely more and more on technology and data intelligence. Through the application of new technologies such as big data, artificial intelligence, and blockchain, enterprises can improve the accuracy and efficiency of investment decisions and reduce information asymmetry and operational risks.

(3) Long-term value and sustainable development: The financial investment management strategy of enterprises in the new era focuses on long-term value and sustainable development, emphasizes corporate social responsibility and environmental impact, pays attention to the financial stability, profitability, and social impact of investment projects, and achieves long-term value-added through sound investment strategies.

(4) Globalisation vision and cross-border investment: Financial investment management strategies in the new era are increasingly globalized, and enterprises can achieve risk diversification and growth opportunities through cross-border investment and international cooperation to open up new markets and resources.

To sum up, the development and innovation of financial investment management strategies of enterprises in the new era is an important path for enterprises to adapt to changes in the market environment, optimize capital allocation, and improve investment returns. Enterprises should actively learn and apply new financial investment management methods and tools, build diversified investment portfolios, focus on long-term value and sustainable development, and move towards a more robust and sustainable development path.

4. The innovative direction and theoretical basis of financial investment management strategy of enterprises in the new era

4.1. Introduction of big data and artificial intelligence technology

Enterprises should be based on market research reports when formulating investment decision-making programs, which need to be considered from multiple levels and perspectives to avoid investment blindness and arbitrariness to the maximum extent possible [3]. Therefore, the new era of enterprise financial investment management strategy can introduce big data and artificial intelligence technology to improve the accuracy and efficiency of risk management through the analysis and mining of massive data.

(1) Data analysis and prediction: Big data and artificial intelligence technology can help enterprises analyze massive data and identify potential market trends and investment opportunities. The analysis should be in-depth, especially to identify immature aspects of the investment as soon as possible, analyze their relevant reasons, and summarise and organize them, hence be fully prepared for reinvestment decisions [4].

(2) Risk management: Using artificial intelligence technology, companies can establish more effective risk management models, monitor the risk exposure of the portfolio in real time, and take corresponding risk control measures to reduce investment risk.

(3) Intelligent portfolio optimization: Based on big data and AI technology, enterprises can carry out intelligent portfolio optimization, automatically adjusting the portfolio structure according to investment objectives, risk preferences, and other factors to make it more balanced and efficient.

(4) Real-time decision support: Through real-time data analysis and prediction, AI technology can provide real-time decision support to help enterprises respond quickly to market changes and capture investment opportunities, thus improving the efficiency of investment decisions.

4.2. Establishment of risk management system

Relevant enterprises should have a clear understanding of the financial investment risk, that is, in the operation stage of the financial investment project, the risk factors and the overall risk level are constantly changing dynamically [5]. Therefore, the new era of enterprise financial investment management strategy requires the establishment of a perfect risk management system, including risk assessment, risk early warning, risk control, and other links to improve risk management ability and level.

(1) Risk assessment: Enterprises need to conduct a comprehensive assessment of various types of risk, including market risk, credit risk, operational risk, and so on. Through quantitative and qualitative analyses, identify potential risks and assess their possible impact on the investment portfolio.

(2) Risk early warning: Establish a risk early warning mechanism to monitor market dynamics and portfolio fluctuations, identify possible risk signals promptly, and formulate corresponding early warning indicators and countermeasures.

(3) Risk control: Establish clear risk control strategies and measures, including diversification of investments, setting stop-loss points, establishing risk limits, etc., to reduce the overall risk level of the portfolio.

(4) Risk monitoring: Establish an effective risk monitoring system to regularly review and assess the risk exposure of the investment portfolio, make timely adjustments to the investment strategy, and ensure the effective implementation of risk control measures.

(5) Risk reporting and communication: Establish a sound risk reporting and communication mechanism to ensure timely transmission and sharing of risk information and to enhance management's attention and support to risk management.

4.3. Development of diversified investment strategies

In the process of planning and investment and management program development, it is necessary to comprehensively consider all the influencing factors, in addition to considering the current situation of enterprise development, it should also consider the changes in the external environment, and then develop a scientific and systematic decision-making program to ensure that the benefits of investment are maximized, and the key to this is to predict the investment risks in advance, and take the necessary measures to control the risks, and try to reduce the investment risks [6]. The new era of enterprise financial investment management strategy needs to develop a diversified investment strategy, including equity investment, debt investment, futures investment, and other different types of investment methods to reduce investment risk and improve the rate of return.

(1) Asset allocation: The risk of the overall investment portfolio can be reduced by making appropriate allocations between different asset classes, such as equity, debt, real estate, commodities, and so on. There is usually a negative correlation between the performance of different asset classes in the market, so diversification can balance the overall risk.

(2) Industry diversification: In equity investment, avoid concentrating on a particular industry or sector and instead choose to invest in multiple industries to counter specific industry risks and market fluctuations.

(3) Geographic diversification: Considering diversifying investments across different geographies, including domestic and international markets, can reduce regional risks while gaining access to a wider range of investment opportunities.

(4) Diversification of investment products: In addition to traditional investments in equities and bonds, consider investing in other asset classes, such as real estate funds, commodity funds, foreign exchange,

etc., to expand investment channels and diversify investments. In addition, innovation can be used to ensure the effectiveness of all financial investments, to find problems in the financial structure as soon as possible, and to take positive and effective measures to solve them on this basis, to play the role of the model, to reduce the impact of undesirable factors, so that the enterprise can develop more stably [7].

Enterprises or individual investors can optimize their investment allocation according to the distribution of market opportunities in different cities and seize the potential growth space. Take the regional distribution of auto finance companies as an example, as shown in **Figure 2**, auto finance companies are distributed in only 12 cities in China, of which Beijing and Shanghai are the most concentrated areas with more than half of the auto finance companies. Other cities such as Tianjin and Anhui also have a small number of auto financial institutions.

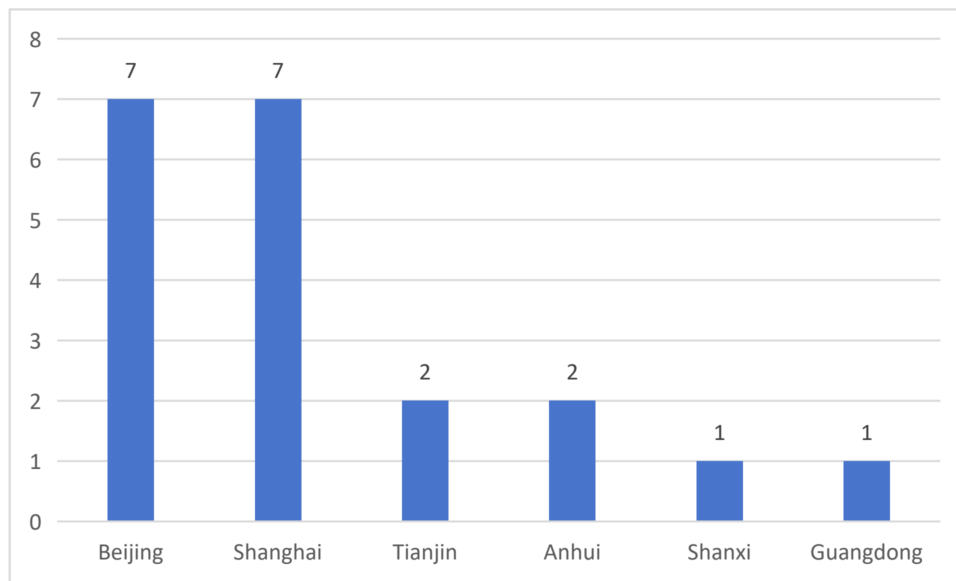

Figure 2. Regional distribution of China's auto finance industry chain (unit: households). Information from the Prospect Industry Research Institute

5. Analysis tools and analysis methods for corporate finance investment management strategy in the new era

5.1. Data analysis tools

Some studies have shown that traditional investment objectives are usually related to the financial instruments in which supporters are involved [8], which is because investment objectives are often based on the needs and goals of investors. In the new era of corporate financial investment management strategy, the following data analysis tools can be used:

(1) Big data analysis tools: Using big data technology and algorithms to analyze huge financial data, from which valuable information and trends can be mined.

(2) Artificial intelligence and machine learning tools: Predictions and decision support for financial data through training models and automated algorithms.

(3) Visualisation tools: Visually present complex financial data to help decision-makers better understand and analyze the data.

5.2. Analytical methods

Statistical models and risk management tools can be used to assess and manage potential risks and identify and respond to possible risks in advance.

(1) The Dynamic Conditional Correlation Generalised Autoregressive Conditional Heteroskedasticity (DCC-GARCH) model is used for modeling different assets in the financial market to model the dynamic correlation between them. This model combines the GARCH model and the dynamic correlation model to more accurately capture the correlation between assets over time.

(2) The Time-Frequency Framework (TFF), on the other hand, is a methodology for analyzing the variation of signals over time and frequency. In finance, time-frequency analysis can help to reveal the characteristics of market volatility on different time scales, thus providing a better understanding of market volatility and correlation.

(3) Combining the DCC-GARCH model with the TFF allows for a more in-depth exploration of correlations between assets on different time scales. Through TFF analysis, the changing patterns of correlations between assets can be identified, which in turn guides investors to make more precise decisions in different market situations. This combination of methods helps to improve the effectiveness of financial market risk management and asset allocation and provides a more comprehensive and effective reference for investment decisions.

The combination of the DCC-GARCH model and the TFF has confirmed that investors should rebalance their portfolio structure frequently, rather than adopting a static approach such as buy-and-hold [9].

5.3. Analysing composition

(1) Portfolio composition: Based on investment objectives and risk preferences, construct a reasonable portfolio structure through diversification, asset allocation, and other methods.

(2) Data composition: Integrate and compose different types of financial data to form a multi-dimensional data model to reveal the correlation and trend between the data.

(3) Decision-making composition: Integrate various analyses and indicators to form a decision-making composition, which provides a scientific basis for the enterprise's financial investment decision-making.

In short, the innovative strategy aims to use modern technology and methods to improve the efficiency and accuracy of enterprise financial investment management. By better understanding and analyzing data, enterprises can make smarter investment decisions, optimize their investment portfolios, reduce risk, and achieve long-term stable financial returns.

6. Conclusion

The innovation of enterprise financial investment management strategy in the new era is an inevitable choice for enterprises in the face of new situations and new challenges. Through the introduction of new technologies, the establishment of risk management systems, and the development of diversified investment strategies and other innovative measures, enterprises can improve the efficiency and level of financial investment management, reduce risks, and achieve sustainable development. In addition, the relevant staff need to establish a correct awareness of financial investment management, not only to carry out an in-depth investigation of various types of risk factors, but also to prevent the risk in advance, and constantly improve the internal regulatory system, it is important to emphasize the value of financial management, financial investment decision-making financial sector should be involved in the whole process, and timely issuance of the relevant risk report, and put

forward specific measures to prevent for the various financial investment to provide effective data reference, thereby ensuring the rationality and scientific nature of financial investment [10]. Therefore, enterprise financial investment managers should actively explore the innovative path of enterprise financial investment management strategy in the new era, and constantly improve their professional ability and level to adapt to the changes and development of the financial market in the new era.

Disclosure statement

The author declares no conflict of interest.

References

[1] Wang T, 2022, Financial Investment Risks and Improvement Measures in Enterprise Financial Management. Mall Modernisation, 2022(22): 129–131.

[2] Li L, 2022, The Significance and Practice of Financial Investment Management in Enterprise Management. Financial Literature Forum, 2022(8): 32–34.

[3] Xu J, 2022, Research on Investment Risk Analysis and Management Countermeasures of Internet Enterprises – Taking ABC Company as an Example, thesis, Chongqing University of Technology.

[4] Du Y, 2021, Research on the Importance and Application of Financial Investment Management in Enterprise Operation and Management. Popular Investment Guide, 2021(16): 14–15.

[5] Xu K, 2022, Discussion on Financial Investment Risks and Prevention Strategies in Enterprise Financial Management. China Management Information Technology, 25(13): 11–13.

[6] Yi S, 2021, Management Research on Enterprise Fixed Asset Investment – Taking a Radio and Television Network Company as an Example. Modern Business, 2021(29): 160–162.

[7] Ma Y, 2023, Analysis of the Status Quo of Enterprise Financial Investment Management and Response Measures in the New Period. Economist, 2023(3): 99–100.

[8] Huth C, 2020, Who Invests in Financial Instruments of Sport Clubs? An Empirical Analysis of Actual and Potential Individual Investors of Professional European Football Clubs. European Sport Management Quarterly, 20(4): 500–519. https://doi.org/10.1080/16184742.2019.1684539

[9] Yousfi M, Farhani R, Bouzgarrou H, 2024, From the Pandemic to the Russia–Ukraine Crisis: Dynamic Behaviour of Connectedness between Financial Markets and Implications for Portfolio Management. Economic Analysis and Policy, 81: 1178–1197. https://doi.org/10.1016/j.eap.2024.02.001

[10] Wu R, 2022, The Impact of Financialization of Manufacturing Enterprises on Physical Investment from the Perspective of Enterprise Life Cycle – Taking Huaxi Co., Ltd as an Example, thesis, Inner Mongolia University of Finance and Economics.

Publisher's note

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.