

*Original Paper*

# State-owned Enterprises Investment Management Status and Optimization Strategy

Ma Liang<sup>1</sup> & Meng Mei<sup>1</sup>

<sup>1</sup> School of Public Administration, Xinjiang Agricultural University, Urumqi, 830052, China

Received: October 18, 2022    Accepted: November 12, 2022    Online Published: November 18, 2022  
doi:10.22158/jepf.v8n4p67    URL: <http://dx.doi.org/10.22158/jepf.v8n4p67>

## **Abstract**

*In recent years in China's booming market economy, along with the transformation of the market economy on the reform of the state-owned economic system also came into being, in order to increase the source of profit channels of state-owned enterprises, do a good job of the value-added work of state-owned enterprise assets, many state-owned enterprises choose to diversify development, and this trend is now very obvious. The development of enterprises has also produced a number of problems that have had a significant impact on the quality and returns of investments, causing unnecessary losses and increasing unnecessary risks for many state-owned enterprises. The article will be based on the current situation of investment projects and management of state-owned enterprises, analyze the problems that exist in them, put forward effective improvement measures and targeted countermeasure suggestions for the investment management of state-owned enterprises, and promote the high-quality development of state-owned enterprises.*

## **Keywords**

*State-owned enterprises, investment management, problems, strategies*

## **1. Introduction**

The core objective of enterprise investment work is to ensure that enterprises obtain maximum economic benefits, promote enterprise construction, achieve far-reaching development and enhance the market position of enterprises. With the rapid development of social economy, state-owned enterprises accelerate the deep integration with the market economy and gradually diversify their investments (Chen, 2022). Investment has not only brought huge returns to state-owned enterprises, but also brought more and more uncertain risk factors to them. A number of problems have arisen in the management of asset investment by enterprises, and the problems of asset investment management by state-owned enterprises are particularly obvious (Qin, 2022). For example, hotter economic growth,

unbalanced development and less efficient use of funds are more significant. Therefore, the investment work of enterprises is of great significance to the overall planning and layout as well as the related strategic development, which is not only the key to guaranteeing the stable construction and development of enterprises, but also the key to activating the overall capital chain of enterprises, promoting the operation of enterprises, expanding the upstream and downstream industrial chains, approaching the trend of comprehensive operation service providers, broadening the interests of enterprises, and reducing financial risks as well as operational risks. At present, investment has become an important way for state-owned enterprises to rapidly enhance economic efficiency, but how to invest scientifically and efficiently, as well as how to avoid risks in investment has become an urgent problem for state-owned enterprises.

## **2. The Current Situation of Investment Project Management in State-owned Enterprises**

### *2.1 Centralised Power in Project Investment Decision Making, Disconnect between Decision Making and Implementation*

Some projects of state-owned enterprises are approved by the headquarters after the completion of the project planning scheme, and then the headquarters carries out the overall project demonstration and approval, and finally delivers them to the subsidiaries for operation. In this process, the lack of effective communication between project planners and implementers results in the headquarters not being able to grasp the progress of the project in a timely and accurate manner, while the subsidiaries differ from the headquarters planners in their understanding of the project-related content, making the programme vary greatly from the actual working conditions, and failing to respond quickly when the project needs to be adjusted, resulting in the enterprise bearing high economic losses. With the continuous improvement of the modern enterprise system, in order to effectively guarantee the efficient and stable operation of the enterprise's investment projects, the internal management structure of the enterprise is optimised to take the front-line practice as the basis for the enterprise's decision-making, and the necessary investment decision-making power is gradually delegated to the subsidiaries, so that people closer to the front line of the market can participate in decision-making, so as to ensure that the enterprise's business is in line with the front-line market demand.

### *2.2 Expanding Investment Scale, Opportunities and Challenges*

The current market economy is developing rapidly in China, and state-owned enterprises have changed their business methods to make their business activities more diversified. In order to effectively utilise the rich assets of state-owned enterprises, state-owned enterprises have started to actively embrace the capital market, and the areas of investment are not confined to the domestic market, overseas markets are also the choice of many state-owned enterprises for investment (Yang, 2022). In Shaanxi Province in 2021, for example, the whole system of state-owned enterprises completed fixed asset investment of RMB 2007.51 billion, an increase of 22.64% year-on-year; among them, state-owned enterprises of Shaanxi Provincial State-owned Assets Supervision and Administration Commission completed fixed

asset investment of RMB 74.219 billion, an increase of 53.13% year-on-year. While the investment scale of state-owned enterprises is growing rapidly, they are also facing many uncertain risks. For example, the risk of international markets, international terms constraints, the risk of industrial diversification, and the poor return on investment. The choice of investment projects should also become more cautious.

### *2.3 More Superficial Inspections, less in-depth Inspections*

The problem of formalism prevails in the inspection of traditional investment projects, with little in-depth research (Wang, 2022). First, the habit of carrying out a large cast-net inspection, mainly to check the image project, quickly complete the supervision and inspection of investment projects, in a formal way, not focusing on infrastructure construction and the specific implementation of the project investment aspects of supervision and inspection; second, the work overlap, unclear powers and responsibilities, lack of cooperation, inefficiency, lack of effective communication, serious cross-functional, increasing the economic pressure on enterprises. Third, the staff, the ideological understanding is not in place, can not effectively perform their duties and responsibilities, the hidden dangers of investment investigation is not complete.

## **3. Problems of Investment Management of State-owned Enterprises**

### *3.1 Investment Lack of Strategic Planning*

At present, although state-owned enterprises have established a complete set of investment management system, but in the actual production and operation process still can not be well and the enterprise's investment development planning integration. The decisions of the local government can also have an impact on the investment decisions of the enterprises, leading to a certain dependency and ad hoc nature of investment (Ding, Liu, & Han, 2022). Some state-owned enterprises rashly bring into areas they are not familiar with for the sake of short-term gains, and the decision-makers of the enterprises have no clear investment direction and objectives regarding investment, neither do they have reliable information about the relevant investment project decisions, nor do they conduct sufficient market research, do not understand the market demand for their products, but simply keep expanding the scale of the enterprises, without combining the operation of the enterprises, and build many projects that do not meet the current Development of the actual project, some cash flow is not sufficient projects, directly affect the liquidity of state-owned enterprises, resulting in state-owned enterprises operating projects are constrained, increasing the risk of business operation, this prompted the state-owned enterprises investment decision failure phenomenon is common (Pan, 2022). In addition, the decisions of local governments can also have an impact on the investment decisions of enterprises, leading to a certain dependency and ad hoc nature of investment. A sound investment policy will, to a certain extent, improve the income of enterprises, while, conversely, an unstable policy may lead to bankruptcy.

### *3.2 Lack of Effective Supervision of Investments*

For one, attention is too focused. Enterprises lack a monitoring mechanism for the implementation process of investment management follow-up, during and afterwards, as well as a lack of accountability system for investment failures. Attention is often focused on the decision-making stage of project investment, the follow-up management and supervision of project investment is easy to ignore (Liu, 2021). At the same time, in state-owned enterprises, the power of the leadership is quite centralised, and many state-owned enterprises implement the “factory director and manager responsibility mechanism”, the centralised power of the leadership of state-owned enterprises, resulting in the lack of dedicated departments and personnel to track and review project investment on a regular basis, there will be a long investment period, but no follow-up zombie projects, or even investment losses but No one reports the losses. This results in a lack of investment management supervision. Secondly, there is a lack of professional business management personnel. The follow-up management of enterprise project investment requires professional talents with appropriate expertise. Project investment management requires staff to have certain professional background knowledge, and many enterprises lack the corresponding talent reserves. Thirdly, the system construction is backward. Laws and regulations are not perfect, and the relevant laws and regulations are mostly macro-level norms, with fewer provisions for micro-individuals, which do not touch the kernel of bidding work. Most of the regulations are in principle, and there are no specific legal regulations, most of which are prohibitions, making it difficult to define the boundaries between legality and illegality (Fu, 2021), and easily leading to power “rent-seeking”.

### *3.3 Lack of Profit and Loss Analysis of Investments*

In the process of investment management, there is a lack of tools and methods to analyse the profit and loss of investment projects, for example, there is no analysis of the progress of the completion of project investment targets, analysis of financial indicators related to project investment, analysis and summary of investment results. Without concrete data to support the analysis, it is difficult for the management to determine the factors that contribute to the success or failure of an investment project, such as the properties of the investment project itself, the high cost of financing, or the high cost of risk control costs. Therefore, the lack of profit and loss analysis in investment management is a reflection of the failure of investment management. Without accurate profit and loss analysis, it is difficult for the person in charge of the enterprise to come up with the optimal solution for the development of the enterprise, which in turn affects the growth of economic benefits of the enterprise now and in the future.

### *3.4 Lack of Market Responsiveness in Investment*

In the new era, investment information in the market is complicated, and incorrect or inapplicable information can easily cause investment projects to fail to achieve the expected returns. Due to the special market positioning of state-owned enterprises, the investment behaviour of state-owned enterprises in the past has generally been mostly autonomous and not too much affected by market

changes. Even in today's rapidly developing globalised economy, SOEs still have a unique inherent advantage in the allocation of resources and are not sufficiently aware of the current direction of market development and technological innovation, the intensifying market competition and, in particular, the gap between their own technological level and that of the international top level, which often makes their investment judgements prone to large deviations compared to the actual situation. There is a clear sense of subjectivity. For example, under the epidemic, a large number of enterprises transformed their original production lines into mask or mask raw material production lines. The entry of a large number of enterprises led to overcapacity in mask production, transitional saturation of the market, a rapid fall in prices and dilution of profits for follow-on enterprises.

#### **4. Measures to Solve the Investment Management Problems of State-owned Enterprises**

##### *4.1 Improve Enterprise Investment Planning*

Investment projects are long-term in nature, and it is necessary to establish medium- and long-term investment planning. First of all, the enterprise's investment management objectives should be organically combined with the enterprise's strategic objectives, investment scale, investment structure and other factors. The main purpose of many enterprises to make investments is to quickly complete the strategic scale expansion of the enterprise, to quickly complete the vertical and horizontal business extension in the market, and to achieve rapid and sustainable growth of enterprise value (Zhou, 2021). Therefore, when choosing investment projects, enterprises should fully consider their long-term investment strategy and avoid blind investments. If they encounter projects that are not closely related to their strategic objectives, they should conduct sufficient internal arguments. Secondly, enterprises should also formulate strategic investment budget planning. Within a certain period of time, companies should have a reasonable investment budget plan, such as the total amount of investment, the total number of investment projects, the contribution to the net profit of the parent company and other specific financial and non-financial indicators. The purpose of investment budget guidelines is to guide companies to make effective investments and avoid excessive financial pressure on the business. Once again, it is important to balance the game between the company's strategic planning and the potential risk tolerance of the investment. Project investment risks are often proportional to returns. Therefore, the supervisory level of the enterprise should take the enterprise can afford to, to avoid the enterprise investment risk is too large (Kong, 2021).

##### *4.2 Establish a Sound Investment Supervision Mechanism*

Enterprises should establish a sound "state + society + enterprise internal" based on the three major supervision system, not only to enable the state to accurately control the operation of state-owned enterprises from a macroscopic point of view, but also to enable social monitoring agencies to gradually enter the enterprise internal, real-time follow-up of the progress of the enterprise's investment projects (Chen, 2018). At the same time, the relevant authorities in China should compel SOEs to establish an internal financial management system in accordance with the accounting system. The

financial staff of state-owned enterprises should be involved in the entire investment activities of the enterprises, providing the basis for the enterprises' investment decisions, regulating the investment activities, and making true and accurate accounting of the profit and loss of the enterprises' investment activities, so as to avoid the phenomenon of off-book operation of investment activities. And to carry out a full range of supervision, combining prevention beforehand with supervision afterwards. The audit department should give full play to the function of audit supervision, both to ensure that the investment behaviour of state-owned enterprises is legal and effective, and to conduct strict audits on the feasibility and effectiveness of investment projects. At the same time, relevant professional financial workers should be involved in the entire investment activities of the enterprise, not only to lay a solid foundation for the enterprise's investment decisions, but also to comprehensively supervise the enterprise's investment activities. The audit department should issue comprehensive investment audit procedures and standards to bring the function of audit supervision into full play and strengthen the audit supervision of the investment activities of state-owned enterprises. In the audit should be refined, not only to ensure that the investment behavior of state-owned enterprises is effective and legal, but also to strictly audit the operation, feasibility, efficiency and asset valuation of investment projects.

#### *4.3 Optimize the Investment Management System*

State-owned enterprises should establish and improve their management systems in accordance with the law, establish refined project management systems and systems, strengthen the internal management of investment projects, regulate the management behaviour of personnel in various departments, establish detailed project management systems, regulate the behaviour of investment projects in all aspects of investment project management, so that there are rules to follow and regulations to follow. Establish and improve the budgeting system, accounting system and analysis system, and develop a perfect assessment system to improve the quality of staff and control risks. And improve the quality and efficiency of project management. Establish and improve a set of scientific and reasonable internal compliance process management system. In the process of managing specific investment projects, SOEs need to anticipate in advance the risks that may arise from their investments and have the ability to control the occurrence of risks. SOEs need to strengthen their own management awareness, implement risk control throughout the process of investment project management, conduct regular audits of investment projects, and audit the financial situation, operating results and cash flow of the investment project enterprises in a comprehensive manner, so as to ensure the safety of the enterprises' investment funds. In addition, during investment project management, state-owned enterprises should also build a strict accountability system as well as responsibility reversal system, linking the enterprise's investment decision-making behavior with the interests of the enterprise's employees, tracing responsibility to the person, and strictly pursuing them when the investment behavior produces problems, while strictly enforcing the punishment measures to regulate the investment management behavior (He, 2015).

#### 4.4 Strengthen the Feasibility Analysis of Investment Projects

In addition to having the profitability purpose of general enterprises, state-owned enterprises have the mission of preserving and increasing the value of state-owned assets, therefore, it is particularly important for state-owned enterprises to make project investments in a stable manner, and a good feasibility analysis of investment projects is the beginning of specific investment practices. Some SOEs in the actual production chain lack reasonable planning and feasibility analysis before making investment projects. Therefore, SOEs must have a deep understanding of the laws and regulations and related processes in investment to avoid blindness and unscientific investment. Through the analysis of credibility, to improve the understanding of the future market environment, fully consider their own assets, technical conditions, and analyse the potential risk factors in investment project activities, so as to improve the success rate of SOEs' investment and business activities.

### 5. Conclusion

In summary, the investment management activities of an enterprise is the act of seeking the best economic output value for the enterprise in the case of continuous operation. By establishing a sound and effective investment management system through investment management activities, establishing investment activities that match the strategic objectives of the enterprise and implementing investment project management, enterprises can minimise their investment risks, improve the profit performance of project investments and create corporate value advantages.

### References

- Chen, H. L. (2018). Reflections on the asset investment management strategy of state-owned enterprises. *Chinese and foreign entrepreneurs*, 2018(11), 42-43.
- Chen, S. H. (2022). Problems and optimization strategies of project investment management of state-owned enterprises. *Modern Enterprise*, 2022(10), 47-49.
- Ding, S. S., Liu, L., & Han, C. (2022). Entrepreneurship and cost-plus enhancement of firms. *Statistics and Decision Making*, 38(17), 160-164.
- Fu, Z. D. (2021). Reflections on strategic issues of investment project management of state-owned enterprises. *Finance and accounting study*, 2021(21), 157-158.
- He, M. H. (2015). Exploration of investment management of state-owned enterprises. *Enterprise reform and management*, 2015(13), 19.
- Kong, D. L. (2021). Risks and control measures in investment management of state-owned enterprises. *Investment and Cooperation*, 2021(04), 13-14.
- Liu, J. (2021). Problems and suggestions of project investment management of state-owned enterprises. *National circulation economy*, 2021(33), 98-100.
- Pan, Y. (2022). Problems in investment management of state-owned enterprises and the construction of compliance system. *Modern Enterprise*, 2022(09), 7-9.

- Qin, H. (2022). Cultivating the entrepreneurial spirit of Ningbo in the new era. *Ningbo Newsletter*, 2022(17), 35.
- Wang, Y. H. (2022). An analysis of the problems and coping strategies of investment management of state-owned enterprises' assets. *Enterprise Reform and Management*, 2022(17), 42-44.
- Yang, T. (2022). Countermeasure suggestions for strengthening investment management of state-owned enterprises in the new era. *Enterprise Reform and Management*, 2022(17), 18-20.
- Zhou, H. K. (2021). The current situation of investment project management of state-owned enterprises and countermeasures to solve it. *Business Watch*, 2021(17), 94-96.