Analysis on Corporate Financial Engineering and Financial Management Innovation

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Abstract: Corporate financial engineering refers to the use of advanced mathematical and communication techniques to solve financial problems for the maximization of company's own interests. The techniques are used for innovative designs regarding financial tools and means, and also for devising and implementing financial products. As for corporate financial management, it is the basic guarantee for operating a company. For both the company and its internal and external activities, the support from financial management is inseparable. Financial management is an important link to balance the benefits and costs generated in the process of corporate operation. This article analyzes and explores the effects of the application of financial engineering in financial management.

Keywords: Financial Management; Financial Engineering; Avoidance Principle

1. Introduction

As the social economy develops, financial risk is a challenge that all enterprises must face. Enterprises need to modify and improve their own development goals and financial management contents if they want to have a stable and order development. They should also minimize their operating costs and improve efficiency and performance. If they can’t adapt to the changing trend and adjust themselves according to the environment, they will be sifted out by the times. Therefore, under the new economic situation, enterprises must constantly improve their own management level and promote the importance of corporate financial management to provide vital support for company’s development.

2. Corporate financial engineering thoughts

Avoidance: Avoidance in the operation of corporate financial engineering refers to risks avoidance with the use of risk tools, reasonable tax avoidance to reduce tax burden, and transnational investment and financing tools to enter the market in regulatory states.

Decentralization: Companies can end the desirable income dangerous situation through reasonable investment combination and property distribution in the financial market.

Re-allocation: Each individual economy has its own specific income risk situation, because the individual’s different understanding and attitude towards income risk leads to their different income risk function. Faced with these situations, the efficiency of individual economy is often not maximized in the initial state. It can be realized through the risk of transferring income and reconfigured to satisfy the needs of different individual economies to maximize the efficiency of individual economy.
Safe: Inspired by safe industry, there are many strategies with safe nature in enterprise financial engineering, which can preserve the power to obtain higher benefits in the future on the premise of ensuring the existence of a set minimum income and maximum risk level.

3. Research on the current situation of financial management in financial concerns

3.1 To-be-improved financial management system

To do a good job in financial management, a perfect and sound system is indispensable. Currently, most financial enterprises have institutional defects, which lead to an incompatible rights and responsibilities in financial management. The unreasonable and unscientific internal work distribution will ultimately end with an inefficient financial management of the whole concerns. Although many managers in financial concerns have put their attention on these two matters and have actively adjusted accordingly, the effect is still not obvious.

3.2 Unclear financial objectives

Financial concerns are currently responsible for the operation of funds, and for maintaining the operation and development of enterprises by using funds to earn funds. Compared with other industries, financial enterprises are facing with more quantity and more difficult financial management work. For this reason, the financial objectives of financial concerns are not clear. It will hinder the long-term development of enterprises if they only focus on improving economic benefits and maximizing corporate interests, and ignoring corporate social responsibility. Many financial concerns ignore the interests of small enterprises or minority shareholders in their development process, and only pay attention to the high rate investment selection, while ignoring the possible environmental hazards of the project itself.

3.3 The to-be-improved overall quality of financial management personnel

Financial enterprises are more flexible, and their employees should have high financial sensitivity and professional ability. They should maintain a rigorous and meticulous working attitude when carrying out financial management work, and be able to maintain high efficiency and high quality in complex financial work. However, it can be found that the financial managers of enterprises have certain professional knowledge, but there is still much room for improvement in practical operation after a comprehensive analysis of the current financial enterprises. Many financial managers only follow the traditional financial management and copy summarized methods. They have no innovation ability and lack essential sensitivity to the financial market, which makes the corporate financial management always be in an inefficient mode.

3.4 Lack of financial monitoring and indecisive financial management authority

Most financial concerns lack internal management system, and are weak in financial supervision with an indecisive financial management authority. It mainly manifests in the following aspects. Firstly, there is no good internal control system, and financial management is in chaos. Although there are internal management systems, they are not strictly implemented. There are too many supervision procedures, and the monitoring work is not done well in advance. Secondly, the allocation and development of financial human resources are lack of scientificalness and rationality. Some phenomena, such as unclear job responsibilities and setting up posts for people, exist in financial concerns. Thirdly, the financial situation isn’t open, and the accounting work is not rigorous. The authenticity and accuracy of accounting information cannot be ensured if staff treat the accounting work at will.

4. Innovation strategies for financial management in financial concerns

4.1 Improve the financial management system

In order to fundamentally solve the problem of low efficiency of financial management, it is necessary to construct a set of good and sound financial management system for financial concerns. To be specific, there are three aspects to
improve the financial management system. Firstly, make clear the overall framework of the financial management system. Companies should know their ultimate goals of corporate financial management in general, and make corresponding plans accordingly to lay a good theoretical foundation for better future work. Secondly, put forward a clear financial management system. According to the financial management system plan formulated in the early stage, every aspect of the problems will be taken into consideration. Companies need to do a good job in risk prevention and control, and formulate specific implementation plans in the practical work. Finally, companies have to apply it to practice, which is the last and most crucial step to improve the financial system. The system need to be tested on whether it is practical and feasible to improve and make full preparations for better financial management[1].

4.2 Set up scientific and reasonable financial objectives

First of all, in view of the current unclear financial objectives of enterprises, companies need to investigate their real situation, company’s own interests or social benefits, to solve the problems pertinently. When biasing towards company’s benefits, it is necessary to clarify the scope of responsibility and undertake it in a timely manner. When biasing towards social benefits, companies should further plan their future development with the combination of the practical situation and the consideration of social benefits to avoid suffering a lot of losses in the course of operation and a short future. During the operation, companies need to put forward targeted plans with the combination of the practical situations. Besides, preparations, such as a fully understanding and mastering the market dynamics, rationally formulating various indicators of financial management, and doing a good job in innovative management of financial objectives, are also necessary to avoid companies from having a bad debt rate as far as possible. Finally, through the practice process of innovating the financial objectives and after analyzing the effects of their own enterprises or other enterprises that have implemented the plan, financial concerns choose a set of reasonable and efficient management objectives, and combine the previous trial experience to further integrate them into the future development process[2].

4.3 Improve the overall quality of financial management personnel

The comprehensive quality of corporate financial personnel directly affects the work efficiency. A qualified financial manager should not only have professional financial knowledge and skills, but also have keen market insight and creative ability in practical work. Therefore, enterprises need to re-plan their financial management work, and consider various factors when selecting people and let them work in what they are skilled in. For those long-serving employees, companies should further understand their comprehensive situation and distribute them reasonably according to their practical financial ability. Besides, regular train is necessary to broaden their knowledge and skill proficiency. For new employees, companies should change the previous recruitment methods and requirements. The factors mentioned above should be added into the assessment scope. By selecting a group of talents with certain knowledge and skills and great development potential, companies need to combine the two groups of employees together to create a team with professional financial management ability, forward-looking vision and financial industry development potential through different financial management work styles[3].

4.4 Update the financial management concept in all aspects

The financial management concept refers to the main orientation of guiding the development of financial management practice activities, which is the concept of guiding thinking about financial management problems and the method of solving problems; Under the current development trend of market economy, enterprises should establish the following financial management concepts. First, the concept of tending to international financial management strategy has been accepted increasingly. Second, adopt the concept of capital diversification in the process of financial management. Third, adopt the concept of people-oriented financial management. Fourth, make use of the concept of risk financial management. They are of far-reaching significance to set up and update the financial management concept for financial enterprises in an all-round way, both in efficiency improvement and the quality improvement[4].

4.5 Set up a modern financial management system with the characteristics of market economy
To build a modern financial management system with market economy characteristics, financial management system is necessary to be improved in the following aspects. Firstly, financial enterprises should establish a fund management system that meets the needs of modern economic development. Taking financial management of financial enterprises as an important position in the management system, financial companies need to carry out management work with fund management as the central position, which should be an important development direction. Secondly, a guarantee system for the economic benefits of capital investment should be established to strictly monitor the sources of financial enterprises’ funds. Thirdly, a capital structure optimization and restriction system should be established to effectively and strictly manage and supervise capital institutions. Fourthly, build a flexible and orderly capital circulation system to effectively manage and supervise the capital flow. Lastly, give full play to the role and authority of the financial management department to ensure an important role and value in the management of financial enterprises of financial management. It effectively improves the market economic benefits, and promotes the better and faster development of financial concerns.

5. Conclusion

Finance is the fundamental operational guarantee for enterprises, and is an important link to balance income and cost. Currently, the financial development of financial concerns is not optimistic, and there are some matters, such as imperfect financial management system, indecisive financial objectives, and low comprehensive quality of financial personnel. Therefore, enterprises need to constantly explore and train talents, and improve the management system to build a scientific financial management mechanism that adapts to the development system of market economy. It will help enterprises occupy an upper position in the development of market economy and promote long-term and stable development.

References