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Methods and Tools of Private Company Management

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Abstracts: With the rapid development of the economy, many private companies have emerged in the market. However, most private companies blindly pursue performance and economic income, but they ignore the most important issue of how to manage the company scientifically. This is one of the important reasons why they cannot develop in a long-term and efficient manner. Therefore, this article mainly analyzes the scientific management methods of private enterprises. Those aspects of corporate management should be the focus, and how different companies should formulate their own management methods.
Keywords: Management; Competitiveness; Culture; Direction; HR; Finance; Supervision; Sustainable

Introduction

With the rapid development of economic globalization, the weight of private enterprises in the market economy has gradually increased. "More and more people are setting up their own business and becoming their own boss". And many new private enterprises have emerged. However, the market share is limited. So many companies want to divide this piece of cake, which will lead to unprecedented competitive pressures for private enterprises. Private enterprises have many advantages in market competition, such as flexible mechanisms and strong innovation capabilities. However, the average life expectancy of "Chinese private enterprises is only 3.7 years". Faced with such bad data, we must calmly see the problems in the current management of private enterprises.

The management system that the enterprise has created is unreasonable, the development strategy is not clear, the blind pursuit of economic effects, and the overall lack of vitality of the enterprise, etc., is the final fate of the private enterprise. Having a true passion for the business you are managing is very important for your success. But passion alone is not enough. You also need core business skills to properly launch your organization and survive over the long term. You need to understand business planning, strategy, finance, and marketing.

1. Method of solving the problem

1.1 Swot

The SWOT analysis method was proposed by Andrews, a professor of management at the University of San Francisco, in the early 1980s. The SWOT is: Strength, Weakness, Opportunity, Threat. SWOT analysis is the main internal strengths, weaknesses, and external opportunities and threats that will be closely related to the research object. Listed through surveys, arranged in a matrix form, and then analysed systematically. Various factors are matched and analysed to draw a series of corresponding conclusions, and the conclusions usually have a certain decision-making nature. Using this method, a comprehensive, systematic, and accurate study of the subject's situation can be conducted, and corresponding development strategies, plans, and countermeasures can be formulated based on the research results. The SWOT analysis method is often used to formulate group development strategies and analyse the situation of competitors[1] .It is one of the most commonly used methods in strategic analysis.

1.2 Scp

The SCP model was established by Bain, Cherer, etc., the authority on industrial economics of Harvard University. This model provides an industry analysis framework that can penetrate into specific links and have a systematic logic system. The basic meaning of the SCP framework is that the market structure determines the behaviour of the company in the market, and the corporate behaviour determines the economic performance of the market in all aspects.

The SCP model analyses possible strategic adjustments and behaviour changes when an industry or a company is exposed to surface impacts.

The SCP model analyses the impact of external shocks from three perspectives on specific industry structure, corporate behaviour, and business performance.

-External shocks: mainly refers to changes in the external economic environment, politics, technology, cultural changes, and consumption habits of enterprises;

-Industry structure: mainly refers to the possible impact of changes in various external environments on the industry where the company is located, including changes in industry competition, changes in product demand, changes in market segments, and changes

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in marketing models[2].

Corporate conduct: mainly refers to the measures that companies may take in response to external shocks and changes in industry structure. It includes a series of changes including the integration of related business units, expansion and contraction of businesses, changes in operating methods, and changes in management.

Operating performance: mainly refers to the changes in the operating profit, product costs, market share, etc. of the enterprise in the event of changes in the external environment.

1.3 Porter Five Force

The Porter Five Force Model brings together a large number of different factors into a simple model to analyze the basic competitive situation of an industry. The five power models identify the five main sources of competition, namely the ability of suppliers and buyers to negotiate prices, the threat of potential entrants, the threat of alternatives, and finally, competition from companies in the same industry.

In a sense, it belongs to the micro analysis of the external environment analysis method. The Porter Five Forces Model is used for the analysis of competitive strategy, which can effectively analyze the customer's competitive environment. The Porter five-force analysis method is a static cross-sectional scan of the profitability and attractiveness of an industry, which illustrates the average profitability of companies in the industry. So this is an indicator of the industrial situation, not an indicator of the ability of the company. Generally, this analysis method can also be used for entrepreneurial capability analysis to reveal what kind of profit space the company has in its industry or industry.

2. Financial statement analysis

The comparative analysis method refers to an analysis method in which the difference between indicators is determined through the comparison of two or more related economic indicators, and the difference analysis or trend analysis is performed. It is a most basic and main analysis method. There are generally three basic expressions of comparison: absolute amount comparison, percentage comparison, and ratio comparison. Through comparative analysis, you can find the gap, determine the direction, nature, and size of the difference, and find out the cause of the difference and the degree of its impact on the difference to further improve the company's operating management. Compare the actual results with the historical data of similar indicators in the financial statements of different periods. Determine the changes in the financial status, operating status and cash flow of the company, and reveal the development potential of the company, providing a basis for the company's financial decisions.

2.1 Ratio analysis

The ratio analysis method is through the comparison of financial relative indicators. A method of analyzing and examining the changes in the economic activities of an enterprise to evaluate its financial status and operating results. The ratio analysis method plays a very important role in financial analysis. It is also a form of comparative analysis, but it is not a simple and direct comparison of related indicators. Instead, it will divide the related different items and indicators to reveal the relationship between the related items, or change the incomparable indicators into division-by-ratio indicators, or generate updated, more comprehensive, and more useful information[3].

2.2 Trend analysis

The trend analysis method usually refers to comparing the actually achieved results with the historical data of the same kind in the financial data of different periods. An analysis method to determine the changing trend of financial operating conditions, operating results, and cash flow, and the law of change. Usually for the company's balance sheet, income statement, cash flow statement. The cash flow statement often needs to use trend analysis methods to observe the trend of corporate cash flow changes over a period of time.

2.3 Factor analysis

Among the above several financial analysis methods, the comparative analysis method and the ratio analysis method can determine the differences in changes in various economic indicators in the financial statements. However, if you want to understand the reasons for the differences and the degree to which they affect the formation of the differences, you need to further apply the factor analysis method for specific analysis.

The factor analysis method is used to determine the degree of influence of several interrelated factors on a financial indicator. An analysis method to explain the main reasons for changes or differences in financial indicators. When there are several factors affecting the analysis object, it is assumed that there is no change in each of the other factors, and the impact of each factor's individual change is determined in order.

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