Analysis on Equity Investment Management

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Abstract: So far, there has been more and more enterprise groups in China's economic market. For enterprise groups, their subsidiaries are operating entities with high industrial relevance, while the parent company of the group usually does not participate in production and operation. The daily management goal is to strengthen the control of the parent company and improve the execution efficiency of the subsidiaries, which involves equity investment management. Building an equity investment management system will greatly promote the above management goals. Based on this, this paper analyzes and discusses equity investment management.

Keywords: Equity; Investment management; group company

1. Introduction

In order to establish and improve the equity investment management system, enterprise groups must first accurately locate the functions of the parent company, improve the internal equity management organization, realize the supervision of the enterprise equity investment process, and lay the foundation for the smooth development of subsequent equity investment. At the same time, the evaluation system and corresponding management system of equity investment should be established to improve the scientific rationality of equity investment. At present, the competition in various industries is very It is convenient for enterprises to control their own assets by means of holding and equity participation, promote the development of state-owned economy, increase their competitive advantage and improve the utilization rate of social assets.

2. Overview of equity investment management

Often referred to as equity, it is the general term for the beneficial right of assets, the amount of capital and other personal and property rights and interests obtained by the invested enterprise after it becomes a shareholder. In the development process of enterprises, equity investment is often involved, which increases the requirements of enterprises for equity investment management. It is necessary to establish and improve the equity investment management system to maximize the use of resources. Especially for enterprise groups, there are many equity projects involved in the operation process, and equity management is of great importance, while for small-scale enterprises or individual investors, are fewer equity projects involved. Compared with large enterprise groups, the importance of equity management is weakened. With the gradual development of listed companies, there are new requirements for equity management\(^1\). In the development of economic market, enterprise groups paid more and more attention to equity management, and at the same time increased the control of investment, disposal and director recommendation. However, the theoretical research on equity management in China is not comprehensive enough at present. As a result, enterprise groups should establish a sound equity management system and innovate more efficient and feasible equity management methods in combination with actual development needs and relevant national laws and regulations, so as to ensure that enterprises can promote equity business more continuously and effectively, increase their own equity interests, and at the same time monitor equity investment risks.

3. The Improvement Principle of Equity Investment Management

3.1 Principle of legal compliance

Enterprise groups usually need to abide by the corresponding regulations when it comes to equity matters, especially listed companies, such as China Securities Regulatory Commission and stock exchange market, have stipulated corresponding laws and regulations, and they must ensure
and legality if they want to operate normally. For shareholders, small and medium-sized investors who have transactions with enterprise groups, enterprises also need to pay attention to safeguarding their interests in the process of development. In the process of equity investment, the investment mode, decision-making process and investment industry selected by enterprises must meet the specified requirements, and equity investment management must also follow the principle of compliance [2].

3.2 The principle of industrial relevance

Group enterprises face high risks in the equity investment. If the investment industry has a large span with itself, enterprises will easily face the shortage of resources, talents and technology. However, investment in industries with strong industrial relevance can realize the horizontal integration or vertical extension of enterprise groups, and then produce operational synergy in manpower, organization, business and strategy, and then increase investment protection.

3.3 The principle of optimizing resource allocation

With the gradual improvement of economic level, the market competition among enterprises is becoming more and more fierce. Enterprises should not only do a good job in management, but also master the information of competitive enterprises and gain competitive advantages. In fact, resources, technology and cost among enterprises will all be regarded as competitive factors, and whether it is production resources or human resources, it is necessary to ensure the reasonable allocation of resources, so as to maximize the effectiveness of limited resources. Therefore, enterprises need to strengthen the effective allocation of resources, improve the internal asset structure, and then more favorably occupy the market and realize the sustainable development of enterprises. The principle of optimizing resource allocation should also be observed in the management of enterprise equity investment.

4. Improve the Management Strategy of Corporate Equity Investment

4.1 Develop a scientific decision-making mechanism for equity investment

For enterprise groups, equity investment is a long-term and continuous behavior that needs to be carried out in their business development. In the investment stage, it will inevitably involve multiple decisions. Only by ensuring the scientificity and correctness of the decisions can the investment value be exerted. Therefore, it is necessary for enterprise groups to construct corresponding decision-making systems to provide scientific basis for investment decisions, so as to ensure that enterprises can carry out efficient and high-quality equity investment activities. For the construction stage of equity investment decision-making mechanism, we can proceed from the following points [3].

First, the investment decision-making committee should be established, and the equity investment must be discussed in a centralized way. At the moment, many enterprise groups do not play the role of the committee, and their main functions are too formal. The decision-making of equity investment projects should be discussed collectively by the investment decision-making committee, and the actual situation of orders is often just a formality. The members of the committee lack the necessary understanding of the influencing factors of investment decisions, and their professionalism is poor. Thus, group enterprises must pay attention to this issue. Strengthen the construction of committee members, select members from internal finance, risk control, investment and other departments to lead in personnel structure adjustment, improve professionalism and give full play to the role of investment decision-making committee.

Second, improve the evaluation index system of investment decision-making. Good evaluation can improve the safety and effectiveness of equity project investment. Generally, groups carry out evaluation work based on financial indicators, and measure the feasibility of project investment through indicators. This method usually lacks rigor, and the accuracy of calculation results is low. Moreover, if the evaluation is carried out only according to financial indicators, it will also increase the difficulty of evaluation. For this reason, the Group should not only set financial indicators, but also improve the evaluation index system in combination with project characteristics. For example, learn from the experience of other enterprises or add more scientific elements to the investment decision evaluation system. By checking the literature, it can be found that many scholars no longer focus on the setting of financial indicators, but also introduce other business indicators related to equity investment, so as to
make up for the information asymmetry and prevent and control investment risks.

Third, pay attention to the post-evaluation work. For enterprise groups, if they want to get greater investment benefits in the process of equity investment, they need to pay attention to the post-evaluation work in view of the investment management process. The group should improve the system of time evaluation of investment projects and accountability for investment losses, so as to reduce risks and further highlight the importance of equity investment management. In the post-evaluation process, we should investigate the information such as the investment process, results and influencing factors of equity projects, understand the influencing factors of equity investment income, be vigilant and formulate an optimized response plan. In particular, if the equity investment projects involved have a great impact on the enterprise group, and the investment cycle is long and the process is complex, the post-evaluation work can often play a great role in effectively analyzing the problems in the operation of equity investment projects and realizing optimization and improvement. In addition, when selecting the evaluation subject, there is not only a way of self-evaluation, but also a third party can be introduced to ensure the evaluation quality.

Fourth, pay attention to the analysis of exit projects and schemes. When dealing with equity investment projects, group enterprises often have exit projects. Through the analysis of exit reasons, it is often caused by factors such as the enterprise group began to adjust its investment direction, poor project profitability or changes in the market environment. The group should pay more attention to exit projects, do a good job of analysis, sum up the reasons for exit, minimize the frequency of similar events and save enterprise resources. At the same time, it is necessary to intensify research on exit schemes, and if the time is right, it can be re-enabled.

4.2 Strengthen the investment capacity building of enterprises

Enterprise groups need to strengthen their internal equity investment ability, so as to obtain higher benefits in equity investment and promote the level of equity management. It is necessary to ensure that attention is paid to the whole process of equity investment, not just to the part, otherwise it is not conducive to risk control. In capacity building, enterprises can start from the following points:

First of all, do a good job in industry research. In the process of equity investment management, enterprise groups need to do a good job in positioning investment industries. However, many enterprises have a wide range of investment industries, and the content is chaotic, which is easy to generate investment risks. Therefore, it is necessary to start from strengthening investment industry analysis, so as to strengthen investment capacity. By studying investment industries, we can subdivide the specific industries invested by public enterprises, establish external information sharing channels, and strengthen industry information analysis [4]. In this process, enterprises can strengthen the capacity building of researchers and implement safeguard measures for the group investment management with membership strategy.

Secondly, we should attach importance to project screening management. When choosing investment projects, enterprises must establish a scientific and wise investment concept and guide staff to choose investment projects scientifically. According to the characteristics of enterprise group construction and based on equity investment decision-making, we should establish equity investment project screening standards to provide a basis for screening work.

Thirdly, improve the project investigation, do a good job of investigation and interview before investing, prepare a systematic investigation report, set up an independent investigation team to ensure the rigorous and effective investigation process, and do a good job of investigation in advance and formulate a standardized investigation report for each investment project of the group enterprise.

Fourthly, cultivate the ability of project decision-making. At present, there is a problem of formalization of project decision-making in enterprise groups, and often the decision-making link is just a procedure, and the evaluation work is not standardized. Therefore, it is necessary to improve the internal evaluation system, optimize the evaluation process, and use advanced and effective evaluation tools to realize the standardized evaluation work of equity investment projects. Attention should be paid to the ability requirements of reviewers to ensure that they can make reasonable judgments on investment projects and strengthen their own project decision-making ability.

Finally, to cultivate management ability, group enterprises should attach importance to the utilization of their own resources, strengthen the connection between investment projects and projects, and fully learn from their respective successes. And we should build a management system, improve
the management level of equity investment, and set up corresponding rules and regulations for the expatriate management team to establish the team's work responsibilities and contents.

4.3 Establish the decision-making process of the invested unit

First of all, the investment follow-up work for equity projects can be managed by the Capital Operation Department and assisted by other departments. This way can usually give full play to the information advantage. The Capital Operation Department has established a certain understanding of the invested enterprises in the early stage, and compared with other departments, it has more information and can reduce the information asymmetry. At the same time, it helps to improve management efficiency, and there are more personnel allocated to projects and capital operation departments of other departments. At the same time, the competent departments have detailed division of labor, and internal managers have sufficient experience in investment and operation. Moreover, in the operation of invested enterprises, the capital operation department of group enterprises can also grasp the financial situation of invested enterprises through financial early warning mechanism, and at the same time, connect the information to the financial department, which is convenient for finding problems in time and formulating countermeasures, so that the investment risks of enterprises can be effectively controlled and the management business can be unified and integrated.

Secondly, it is vital to distinguish between the matters submitted regularly and the decision-making matters involved in equity investment management. For the major matters involved in the decision-making of the invested enterprise meeting, it is necessary to carry out tracking management in time, dynamically monitor the implementation progress and implementation results of relevant major decisions, regularly submit the information on the operation status of the invested enterprise in monthly, quarterly and annual terms, and submit important matters at any time. The investment department will determine whether to inform the business department in combination with the matters [5].

Finally, implement various decision-making procedures. The capital operation department should do a good job in collecting the decision-making matters of the invested enterprise, and at the same time, the results should be finally determined according to the opinions of various departments and directors for different issues. For example, in the equity investment matters, some matters that need information disclosure or the system regulations need to perform the decision-making procedures of the board of directors and shareholders' meeting of the group company shall be informed to the securities department, and matters involving the construction of fixed assets shall be informed to the science and technology development department. According to the importance and complexity of the matter, determine the feedback time of the business department, coordinate with the invested unit to prepare the meeting materials, and then submit them to the Party Committee and the general office of the group company for deliberation. Relevant business departments will attend the meeting as nonvoting delegates, and after the resolution is formed, the capital department will feedback the resolution results to the appointed directors or shareholders’ representatives to sign the resolution and vote.

4.4 Equity Investment Management Improvement Scheme Evaluation

To improve the level of equity investment management, we need to do a good job in equity investment management research and improvement scheme, and we can carry out evaluation work from three aspects, namely, forming scale management effect, improving economic benefits and standardizing equity investment management.

Firstly, it is significant to determine whether the scale management effect will be formed. For equity investment management, it is to do a good job of comparison and optimization that matters, so as to realize the scale management effect of reflecting the whole by local factors. Meanwhile, group enterprises need to study and understand macro policies, learn from the same industry groups similar to their own and with high investment benefits, set up a target selection model for group equity investment based on the development strategy of “one body and two wings”, start from the main business direction, implement horizontal integration and upstream and downstream coordinated development strategies, and minimize cross-industry investment, thus promoting the establishment of enterprise groups. It is essential to establish an early warning model based on the financial situation of the invested enterprise, so as to improve the disposal mechanism of equity investment, monitor the operation of the invested enterprise, plan the disposal plan and enhance the overall competitiveness of the company; It is important to reduce the risk of mismanagement as much as possible by optimizing the management process of equity investment, clarifying the leading management department as well

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as improving the standardization of management. What’s more, promoting the effectiveness of enterprise equity investment by improving the management level should also be firmly valued.

In order to effectively improve the economic benefits, it is necessary to combine the financial early warning model of the invested enterprise, implement the disposal mechanism of equity investment, find out the risk items generated in the process of equity investment in time and control them, revitalize non-performing assets, improve the value of state-owned assets, effectively improve the sense of identity of shareholders, establish a good capital market image for the group enterprises, and obtain higher economic benefits in equity investment projects [6].

In order to ensure the standardization of equity investment management, the management and information disclosure of enterprise groups need to be based on the relevant requirements of laws, regulations and regulatory agencies, and at the same time improve the quality of enterprises, enhance the ability of corporate governance and ensure the effectiveness of information disclosure.

5. Conclusion

For enterprise groups, equity investment will be involved in their business development. Doing a good job in equity control can strengthen the overall strength of enterprises, effectively control cash assets, rationally control molecular companies, and bring greater benefits to themselves. During the development of the group, more and more subsidiaries will be set up. Due to the differences in location, industry and business model, enterprise management is more difficult. Therefore, it is vital to focus on equity control to increase the status of the parent company of the enterprise and realize the effective management of each subsidiary. At present, equity investment management is a must for enterprise development. We should pay more attention to this work, constantly sum up experiences and lessons, and innovate equity investment management methods. Moreover, in order to improve the management level, enterprises must conduct in-depth research based on the characteristics of branches and follow up in time.

References