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QUALIFICATION WORK

Education Degree - Master

on: **Improving the efficiency of enterprise management in modern
business conditions**

Completed:

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student of

073 «Management» (EP «Administrative Management»)

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TASK

on qualification work for student

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1. Theme of Qualification work: **Improving the efficiency of enterprise management in modern business conditions**

Supervisor Alina Mykhaylivna Brychko, PhD., Associate Professor

approved by the university from _____

2. Deadline for student completed project (work) March, 18 2023

3. Background to the project (work):

educational methodical manuals, monographs, textbooks on the subject of research, scientific publications, economic and financial statements for the period of 2019-2021

4. Contents of settlement and explanatory notes (the list of issues to develop):

Learn the theoretical aspects of the concept of "efficiency of business management" and discuss the factors influencing the improvement of business management efficiency. Analyze the characteristics of Sunny Optical Technology (Group) Co., Ltd in the field of financial and economic activity and analyze its financial indicators. To study the management problems of the enterprise and ways to improve its efficiency, to develop a table of enterprise risk management and effective strategic directions for the development of the enterprise based on modern conditions and available data.

5. Date of assignment: **September, 19 2022**

CALENDAR PLAN

№	Title the stages of the degree project (work)	Date of performance project stages	Note
1	Definition and approval of the thesis, preparation of the plan - schedule of work	<i>September, 2022</i>	
2	Selection and analysis of literary sources, the preparation of the first theoretical chapter	<i>September - October, 2022</i>	
3	Preparation and presentation of draft of the first chapter of the thesis	<i>November 2022</i>	
4	Collection and processing of factual material, synthesis analysis of application issues in the enterprise	<i>December 2022</i>	
5	Making the theoretical part of the thesis, summarizing the analytical part	<i>January 2023</i>	
6	Design options improve the research problem	<i>January 2023</i>	
7	Completion of the project part of the thesis, design chapters	<i>January 2023</i>	
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Thesis allowed to defense

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ABSTRACT

Wu Hongjie. Improving the efficiency of enterprise management in modern business conditions.

Master's thesis in the specialty 073 «Management», EP «Administrative Management» SNAU, Sumy-2023 - Manuscript.

Since the 21st century, along with the continuous progress of science and technology and the rapid development of productivity, a large number of enterprises are competing fiercely in a limited market. Enterprises must adapt to the new modern conditions through various ways in order to improve the efficiency of enterprise management and build their core competitiveness to ensure the further development of enterprises.

This thesis examines "corporate management", "management efficiency", "financial indicators", and "development strategies". The theoretical aspects of the concept of "corporate management efficiency" are studied, and the process of improving corporate management efficiency is theoretically defined and the factors involved are investigated. The characteristics of Sunny Optical Technology (Group) Co., Ltd. in the field of financial and economic activity are described, and financial indicators such as profitability, operating capacity, solvency, and development capacity are analyzed in order to get a complete picture of the actual situation of the company. To study the management problems of the enterprise and to study them, and to propose ways of improving the efficiency of management. To develop a table of enterprise risk management and effective strategic directions for the development of the enterprise based on modern conditions and available data. This plays an important role in the subsequent development of the company and is an important guide for its sustainable development.

Key words: business management, management efficiency, financial indicators, development strategy.

АНОТАЦІЯ

Бу Хунцзе. Підвищення ефективності управління підприємством в сучасних умовах господарювання.

Магістерська робота зі спеціальності 073 «Менеджмент», ОП «Адміністративний менеджмент» СНАУ, Суми-2023 р. – Рукопис.

Починаючи з 21-го століття, разом з безперервним прогресом науки і техніки та стрімким розвитком продуктивності праці, велика кількість підприємств конкурують на ринку. Для того, щоб адаптуватися до сучасних умов, підприємства повинні підвищити ефективність управління за допомогою різних засобів і підвищувати конкурентоспроможність, щоб забезпечити свій подальший розвиток.

В роботі розглядаються поняття "корпоративне управління", "ефективність управління", "фінансові показники" та "стратегії розвитку". Обґрунтовано теоретичні аспекти поняття "управлінська ефективність", теоретично визначено процес підвищення управлінської ефективності та досліджено фактори, що впливають на нього. Описано особливості фінансово-господарської діяльності ТОВ "Санні Оптикал Технолоджи (Груп)" та проаналізовано такі фінансові показники, як рентабельність, операційна спроможність, платоспроможність та потенціал зростання з метою отримання комплексної картини фактичного стану компанії. Вивчено та досліджено проблеми управління підприємством та запропоновано шляхи підвищення ефективності управління. Формулювання таблиці управління ризиками підприємства та ефективного стратегічного напрямку розвитку підприємства на основі сучасних умов та наявних даних. Це відіграє важливу роль у подальшому розвитку підприємства і є важливим орієнтиром для його подальшого розвитку.

Ключові слова: управління підприємством, ефективність управління, фінансові показники, стратегія розвитку.

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INTRODUCTION

Relevance of the topic. In the 21st century, along with the continuous progress of science and technology and rapid development of productivity, the trend of economic globalization has become unstoppable, and a large number of enterprises are competing fiercely in a limited market. In order to adapt to the new modern conditions, enterprises must improve their management efficiency and build their core competitiveness through various means to ensure their further development. The management efficiency of an enterprise is the ability of managers to allocate various resources within the enterprise within a certain period of time to achieve the optimal management effect, so that employee motivation and cohesion are enhanced, the output and revenue of the enterprise rise, the overall layout is more ambitious, and the enterprise development is more long-term.

Purpose and objectives of the research. The purpose of the work is to carry out a scientific analysis of the financial indicators of the enterprise and to develop effective strategic directions for the development of the enterprise in the context of its present management problems.

In order to achieve this goal, it is necessary to address the following tasks.

1. This article theoretically defines the process of improving the efficiency of corporate management and explores the factors involved in it.
2. It describes the peculiarities of the financial and economic sphere of activity of the specified enterprise.
3. Analysis of financial indicators of the specified enterprises is carried out.
4. Analyzes the profitability of the specified enterprise using the DuPont analysis.
5. Lists and analyzes the management problems of the specified enterprise.
6. Explore ways to solve the management problems of the enterprise in order to improve its management efficiency.
7. Develop an enterprise risk management table and effective strategic directions for enterprise development based on modern conditions and available data.

The subject of the study is Sunny Optical Technology (Group) Co., Ltd.

The object of the study is to explore how to improve the efficiency of corporate management under modern conditions from both theoretical and practical aspects, using Suntech Optical Technology Group Co.

Research methods: literature research and logical induction - definition of the process of improving the efficiency of business management and its theoretical principles; data analysis and summarization - analysis of financial indicators and profitability of the specified enterprises using comparative, ratio, trend and DuPont analysis.

The database includes scientific results of domestic and foreign scientists in the problem area, publications of official and scientific journals, annual reports of enterprises.

Scientific novelty of the results. The conditions for determining its scientific novelty and submitting it for protection are as follows.

Get further development: By studying and analyzing the financial indicators and profitability of the Sunwoo Group, we derive a detailed picture of the Sunwoo Group's current situation in terms of profitability, operational capacity, solvency, and development capacity.

Improvement: Designing a risk management table for the Sunyu Group based on the internal and external environment and business situation of the company, and formulating an effective strategic direction for the development of the company based on the actual situation.

Practical significance of the results: They can be used as a basis for further research into the theory, methods and practice of improving the efficiency of corporate management and for formulating effective strategic directions for corporate development under modern conditions. The results of the research have been confirmed in the application of enterprise management.

Personal Achievement:

1. Wu Hongjie. Theoretical principles of effective management enterprise in modern conditions. VIII International Scientific and Practical Conference «Integration of scientific and modern ideas into practice», November 15-18, 2022, Stockholm, Sweden. 2022. Pp. 39-44.

2. Wu Hongjie. The direction of improving enterprise mannagement efficiency
Матеріали Всеукраїнської наукової конференції студентів і аспірантів, присвяченої
Міжнародному дню студента – (14-18 листопада 2022 р.). Суми, 2022. С. 272.

The structure and scope of work. Qualification work consists of an introduction, three chapters, conclusions and suggestions, a list of references, which consists of 42 titles. The main text is placed on 73 pages of computer text, the work contains 7 tables, 7 figures.

CHAPTER 1

THEORETICAL PRINCIPLES OF EFFECTIVE MANAGEMENT ENTERPRISE IN MODERN CONDITIONS

Since the 21st century, along with the continuous progress of science and technology and rapid development of productivity, the trend of economic globalization has become unstoppable, and a large number of enterprises are competing fiercely in a limited market. In order to adapt to the new modern conditions, enterprises must improve their management efficiency and build their core competitiveness to ensure their further development through various ways.

Management efficiency is an important way to measure the level of management of a company's managers and is essential for the operation and development of the company 1.

The management efficiency of an enterprise is the ability of managers to allocate various resources within the enterprise within a certain period of time to achieve the optimal management effect, which results in increased employee motivation and cohesion, rising output and revenue of the enterprise, a more ambitious overall layout, and more long-term enterprise development 2. Enterprise management is the rational organization of resources such as human, material and financial resources and the planned organization of economic activities in order to accomplish its goals, while management efficiency is the main expression of the level of enterprise management and directly affects the operation and development of the enterprise 3.

The earliest research on management efficiency came from the American management expert Harrington Emerson 4, who did a lot of practice and research on the issue of efficiency and proposed 12 principles for improving efficiency, aiming to effectively improve management efficiency. He believed that "management efficiency is not about working extra hard, but about eliminating unproductive effort and waste" 5. The famous American management scientist Tero6, who is regarded as the "father of scientific management", put forward the theory of scientific management. Tero believed that modern scientific management is different from the previous empirical management, and the core of scientific management is to improve the management efficiency of enterprises 7. The

French management scientist Henri Fayol⁸ put forward the general management theory, and he analyzed how to maximize the efficiency of business organizations from the perspective of management functions, and put forward the famous 14 management principles, which have become the principles that later became the key reference for business management.

Pareto Optimality, which can also be called Pareto efficiency, was developed by the famous Italian economist Pareto^{Error! Reference source not found.} at the beginning of the 20th century. In his work, Pareto states that the optimal level of allocation of resources in an economy is achieved if all individuals in the economy are strictly better off than they were in the initial state, while maintaining the initial good situation. The term "Optimality", as used by Pareto in his work, actually explains efficiency. Typically, Pareto optimality is achieved only when the following three conditions are met.

(1) Optimality of exchange: For all consumers, any two products have the same marginal rate of substitution.

(2) Optimality of production: For all producers, the marginal technical rate of substitution of any two factors is equal.

(3) Optimal conditions of production and exchange: For any two products, their marginal rates of substitution and marginal conversion rates are equal.

The whole economy can be considered to reach Pareto optimality only when the above three conditions are satisfied simultaneously¹⁰. From the definition of Pareto Optimality, it is clear that it describes a state in which the optimal allocation of resources is achieved. When Pareto optimality is reached, it is impossible for one of the parties involved in the resource allocation process to obtain greater benefits without harming the vested interests of the other party, so the process of pursuing "Pareto optimality" in reality is actually the process of pursuing the optimization of management decisions. In the field of management, the purpose of management activities is to aggregate the limited human, material and financial resources of enterprises, and optimize their allocation structure, maximize the use of management tools, and obtain the best enterprise performance with the least investment of resources, so as to accomplish the business objectives. Thus, it is clear that the process of continuous management activities of the company is the process of continuous pursuit of "Pareto optimal".

X-Efficiency Theory, first proposed by Harvey Leeibenstein ¹¹ in 1966, refers to the efficiency of an organization or motive. Where X denotes a non-configurative factor that will eventually lead to lower efficiency. x-efficiency is objective and X-efficiency theory emphasizes the role of people in the production process.

The X-efficiency theory has roughly the following basic assumptions:

(1) Leeibenstein believes that the traditional microeconomic theory treats the firm as the basic unit of decision making is unscientific, and the goals of the firm are not equivalent to the goals of individuals, but the goals of the firm will be influenced by the goals of individuals, and individuals as an important part of the firm will play a crucial role in its operating conditions, therefore, individual behavior should be taken as the basic starting point for the study of firm efficiency .

(2) X-efficiency theory mainly studies the incomplete market aspect, i.e., the information asymmetry between input factors and final output.

(3) In traditional microeconomics, it is assumed that individuals are fully rational, while Leeibenstein believes that individual behavior contains both rational and irrational factors, and the degree of rationality possessed in dealing with things is chosen by individuals, therefore, it is assumed that individuals are selectively rational rather than fully rational.

(4) The labor contract signed between an individual and an enterprise cannot clearly indicate all the details of the actual work, and for the enterprise as a whole, a given input does not necessarily lead to the maximum output, so it is assumed that the labor contract signed between an individual and an enterprise is incomplete.

(5) The degree of effort of an individual is not a fixed constant, but an uncertain variable. In an enterprise, the level of effort of a worker is chosen by himself. Factors such as the individual's previous habits, the level of effort of colleagues, and the influence of superiors on subordinates ultimately determine the level of effort made by the individual.

(6) Individuals are subject to a certain degree of inertia at work. Inertia is a state of mind that prevents individuals from following their original plans due to subjective aspects. The presence of inertia makes the level of personal effort decrease, resulting in X-efficiency ¹².

From the above assumptions, Leeibenstein concludes the following:

(1) Maximizing firm output belongs to a special state, while non-maximization is the normal state. In daily work, individual employees are not always rational, and they tend to be inert, making individual efforts deviate and leading to less coordination between the firm and the individual. At the same time, enterprises usually do not take maximizing operating profit as their goal. Since ownership and management are separated in modern enterprises, enterprise managers usually act in their own interest, and this behavior is inefficient in the eyes of enterprise owners; therefore, maximization is only an ideal state, and non-maximization is the normal state.

(2) The final amount of output of a firm's production function is determined by the firm's internal environment and the motivation of its employees. According to Leeibenstein, the final output of an enterprise is not only determined by the inputs of production factors, but also by the internal allocation of resources and the efforts of employees.

(3) According to Leeibenstein, the increase in input costs does not necessarily lead to the same proportional increase in output costs, but the output of the enterprise depends on the allocation of resources and the efforts of employees, i.e., the magnitude of X-efficiency. When the management level of the enterprise is improved, the allocation of resources is optimized, and the effort of employees is increased, the increase in the input cost of production factors will lead to a decrease in the output cost of the enterprise 13.

(4) The increase in the cost of production may be accompanied by an increase in the price of the enterprise's products. When an enterprise is in a monopoly state, it can spontaneously raise the price of its products through its monopoly position. In this state, the lack of necessary competitive pressure makes the managers of the enterprise lack the motivation to work and do nothing, which will eventually cause X inefficiency and lead to higher production costs, which also shows that monopoly is not conducive to the improvement of X efficiency.

Agency Theory, first introduced by Jensen and Meckling 14 in 1976. Agency theory then developed into Contracting Cost Theory, which argues that a firm is composed of contractual relationships between many different objects, and this set of contracts includes both contractual relationships between the firm and external funders, contractual relationships between the firm and consumers, and also contractual relationships between shareholders and actual managers within the firm and contractual relationships between the

firm and employees This set of contracts includes both the contractual relationships between the firm and its external financiers, the contractual relationships between the firm and its consumers, and the contractual relationships between the firm's internal shareholders and actual managers and between the firm and its employees.

Agency theory focuses on the contractual relationship between the provider of resources and the actual manager of the enterprise. According to this theory, the principal represents the provider of the enterprise resources, while the agent represents the actual manager of the resources. When a person is both the provider and the actual manager of the enterprise resources, he or she will have all the residual claims of the enterprise, and at this time, the enterprise manager will work hard for his or her own interests and there is no agency problem. However, when a corporate manager incorporates new corporate resources for the firm from the outside by issuing shares, etc., he or she tends to develop a relaxed slack mentality and lower self-imposed standards and reduce workload.

In addition, agency theory assumes that the actual manager of the enterprise has more information than the resource provider, and this information asymmetry will affect the effective monitoring of the actual manager by the resource provider. The agency theory assumes that both the resource provider and the actual manager are rational, and they will maximize their respective benefits by signing an agency contract, in which the actual manager of the enterprise resources will use various means to increase their own wealth in order to maximize their own profits, and in the process, the interests of the principal may be infringed. In such a contractual relationship, if neither party can increase its own interests by harming the interests of others, then the "Pareto optimum" will be reached. Because of this, in the current competitive market environment, some groups or individuals who use improper means to cause harm to the interests of others will eventually be held responsible for the consequences of their actions. It can be seen that agency theory is of great practical significance for us to understand the problems that arise in the process of business management and to make correct strategic decisions for the enterprise.

Incentive theory is still a major focus in business management. Motivation theory is a theory that studies how to satisfy people's needs in a specific way and increase their satisfaction, so as to motivate people to work and improve the efficiency of business management 15. Motivation theory belongs to the category of management psychology and

answers the question of how to satisfy people's "needs". The earliest research on motivation was conducted by Abraham H. Maslow¹⁶, who first proposed the "Hierarchy of Needs" in 1943, and after more than ten years of development and improvement, he formally introduced the famous "Maslow's Hierarchy of Needs" in 1954 in "Motivation and Personality". "Maslow's Hierarchy of Needs Theory". This theory divides human needs into five levels, which range from the lowest physiological needs to the highest self-actualization needs, reflecting the rising level and hierarchy of human needs. The theory proposes that once the ascending process of five levels of needs is not satisfied at a certain point, it cannot be passed to higher levels, and those needs that are not satisfied have motivational significance. Because the needs are met, it will enhance people's satisfaction, thus improving their work efficiency and promoting them to serve the company better to create more wealth.

Subsequently, American psychologist David C. McClelland¹⁷ challenged this theory of Maslow and proposed the achievement needs theory after more than 20 years of research. The achievement needs theory emphasizes the influence of social factors on human needs, and he classified human needs into achievement needs, entitlement needs, and affective needs. Another representative theory of motivation theory is the two-factor theory proposed by Frederick Herzberg, an American behavioral scientist in the late 1950s. The core of this theory is the classification of factors that affect business performance into motivational factors, which are related to the work environment or conditions that prevent people from feeling dissatisfied, and health factors, which are related to people's satisfaction. Health-care factors solve the problem of "eating enough" for employees, who will be dissatisfied if they "don't eat enough", while motivational factors solve the problem of "eating well" for employees. The latter is the motivating factor, since "eating well" can make employees feel satisfied. Different motivational theories analyze the factors that affect employees' behavior from different perspectives, and inspire managers to grasp the real needs of employees and target them to meet them, so as to improve employee satisfaction, increase their work efficiency and create more value for the company.

Jenson and Meckling's agency theory suggests that incentives in a firm help to promote the convergence of the interests of owners and operators, reduce managers' behaviors that harm the interests of the firm and shareholders, and weaken the conflicts arising from the principal-agent relationship¹⁸¹⁹. Incentive mechanism can bundle the

interests of the enterprise with the personal interests of managers, and the level of enterprise performance determines the level of personal gains obtained by managers, and when the enterprise performance is improved, the managers' gains will be improved, and when the enterprise performance is reduced or faces bankruptcy problems, the managers' own interests will be damaged or even lose their jobs, so the incentive mechanism linked to performance will motivate the management to improve their own work motivation and efficiency. efforts to maximize the value of the firm at minimal cost 20.

Corporate culture also plays an important role in corporate management. Since the concept of corporate culture was introduced, it has been focused on and discussed by the academic and practical communities as a research focus of management science. With the deepening of economic globalization, digitalization of information, diversification of demand and the rapid development of science and technology, the degree of adaptation and interaction of corporate culture to the times often determines the success or failure of corporate development. Enhancing the height and depth of corporate culture and achieving the strategic development goals of enterprises through changes and innovations in corporate culture has become a mandatory course for modern enterprises 21. Advanced and mature corporate culture has become an important cornerstone for enterprises to gain a foothold in the highly competitive market economy. Corporate culture is the sum of values, ethics, behavioral patterns and common consciousness formed in practice by all members of the organization under the influence of environmental background. Combined with the current context and the findings of scholars, corporate culture includes corporate vision, cultural concepts, values, entrepreneurial spirit, ethics, code of conduct, historical traditions, corporate system, cultural environment, corporate products and other aspects.

Corporate culture is a kind of collection formed in the long process of enterprise creation and development in a subtle way. It contains not only the spiritual ideology of corporate values, the spirit of corporate advocacy, moral standards and customs in its own context, but also the material form of corporate code of conduct and management system in a broad sense. This cultural complex is the result of continuous accumulation of enterprises in the long development process, which summarizes the more stable part of the enterprise's own business process reflecting the connotation of corporate culture values, and to achieve the unity of consciousness and behavior within the enterprise from leaders to employees.

The strategic decision of the enterprise is not made overnight, on the basis of cost-benefit and risk control, it also needs to consider the external environmental factors. In recent years, the process of globalization has been accelerating, the economic market environment is changing in real time, and the current market competition pattern in China has the characteristics of survival of the fittest. Under the pressure of high competition, managers rely on their personal ability to adapt to market changes and seek corporate development is often incompetent, so the introduction of executive teams has become a new trend in corporate operation and management. In this process, the individual behavioral differences of the executive team members become one of the factors affecting the corporate strategy. On the one hand, in this complex external environment, executives' personal ability and cognitive judgment are limited. This limited rational behavior means that executives' established innate characteristics and individual cognition can lead to selective acceptance of external information, which in turn has a direct and significant impact on corporate strategy choices and business results. On the other hand, different executives may show completely different preferences in decision making due to differences in psychological characteristics, cognitive structures, and values.

The study of executive team heterogeneity began with the higher-order theory proposed by Hambrick and Mason 22 in 1984, and some scholars in academia also refer to heterogeneity as diversity, which is reflected in the differential distribution of individual attributes of each member of the team. Whether it is innate innate characteristics, such as gender and age, or acquired characteristics developed from work-based learning, such as occupation and education, are important research components of executive team heterogeneity.

As an important human capital of a company, the executive team is the decision maker and executor of strategy, and the quality of their decisions will directly determine the success of the company. The heterogeneous structure of the executive team affects their knowledge structure and decision-making horizon, and has significant differences in resource mobilization, decision-making patterns, and execution effectiveness, which in turn affect major corporate decisions 2324. In particular, the cognitive differences in the executive team can increase the cost of communication and lead to resistance and conflict. Executive team heterogeneity portrays the differences in the demographic characteristics of individual

executives. Existing studies on demographics cover multiple dimensions, including age, gender, tenure, educational background, and career experience²⁵²⁶. Therefore, in order to make the firm achieve maximum business results, attention needs to be paid to the overall characteristics of the executive team. This is reflected in two aspects, one is to focus on the team homogeneity characteristics to see whether the individual quality of the executive team members meet the selection criteria of the executive team, and this characteristic can effectively reflect the average characteristic level of the executive team; the second is to focus on whether the team members cooperate well with each other and whether the team can complement each other's strengths and weaknesses, that is, the team heterogeneity characteristics, and this characteristic can effectively reflect the member characteristic discrete level.

The scale effect also deeply affects business management, which is an important theory in economic research and is derived from the principle of diminishing marginal cost. Enterprise cost includes enterprise fixed cost and enterprise variable cost, enterprise variable cost increases with the expansion of enterprise production scale, but the enterprise fixed cost will not change, then there will be enterprise unit product cost decline, operating profit rise phenomenon. The scale effect is divided into scale economy and scale diseconomies. When the enterprise's production reaches a certain scale, the organic combination of the factors of production within the enterprise produces the effect of $1+1>2$, which we call "scale economy"; conversely, when the enterprise's production exceeds a certain scale limit, the factors within the enterprise are mutually Conversely, when the enterprise's production exceeds a certain scale limit, the factors within the enterprise will be constrained to produce the effect of $1+1<2$, which we call "scale diseconomies".

Adam Smith²⁷, the founder of the theory of economies of scale, pointed out in *The Wealth of Nations* that it was the division of labor that made workers more skilled and more proficient in performing labor operations and greatly increased output. Refinement of production will increase the productivity of the factory, and the reason for this is that: workers through the division of labor so that each responsible for the part of the reduction, which will make the degree of labor proficiency increased, in the process, workers will also find some labor skills, saving the time wasted due to frequent changes in the type of labor.

Since the division of labor needs to have a certain scale of mass production, it can be seen that Adam Smith explained the theory of economies of scale from the side very early.

Management efficiency is an important way to measure the management level of business managers, which is crucial for the operation and development of a company. Under modern conditions, the theoretical principles are indispensable for enterprises to manage their businesses efficiently and improve their management efficiency. To improve the management efficiency of the enterprise, managers are required to reasonably allocate various resources within the enterprise to achieve the optimization of the management effect, which in turn leads to the enhancement of employee motivation and cohesion and increases the output and revenue of the enterprise. Therefore, in reality, people constantly pursue the optimization of enterprise management decisions, aggregation of limited human, material and financial resources and other types of enterprise resources, and optimization of its configuration structure, the maximum use of management tools to obtain the best enterprise performance with the least amount of resource input, so as to complete the process of business objectives, is the continuous pursuit of "Pareto optimal "The process of maximizing output is an ideal state. The maximization of enterprise output is an ideal state, and the non-maximization is the normal state. Therefore, enterprise managers need to continuously improve enterprise operation according to the actual situation in order to enhance the efficiency of enterprise management. The final amount of output produced by the enterprise is determined by the internal environment of the enterprise and the motivation of the employees, so the enterprise must have a quality internal environment and a perfect incentive mechanism. The incentive mechanism of the enterprise is also conducive to the convergence of the interests of the owner and the operator, reducing the behavior of the manager to harm the interests of the enterprise and the shareholders, and weakening the conflicts arising from the principal-agent relationship. Corporate culture occupies an important position in corporate management, and companies must change and innovate their corporate culture to achieve their strategic development goals. A diverse executive team helps companies achieve maximum business results. At the same time, enterprises should also reasonably control the size of the enterprise in order to promote the maximum efficiency of enterprise management.

CHAPTER 2

DIAGNOSTICS OF MANAGEMENT EFFICIENCY ENTERPRISE ON THE BASE OF FINANCIAL INDICATORS

2.1 Characteristics of the areas of financial and economic activity of the enterprise

The trend of economic globalization and regional economic integration in today's world is becoming stronger and stronger, the economies of the world are intertwined and closely linked day by day, the economic changes in one region and country will affect the economic changes in other regions and countries, thus affecting the stability of the global economy, the growing trend of globalization has a huge impact on China's economic environment, and for enterprises in all walks of life in China, especially listed enterprises Challenges and opportunities coexist, and enterprises in China should pay attention to their management efficiency and development capacity, which is very important to maintain their own efficient management efficiency and innovation, pay attention to their own internal development and development potential, and be invincible in the competitive market of superiority. This is a major challenge that requires business managers to look for indicators related to business management efficiency in the relevant data of business reports, pay attention to its changes, always keep in mind the importance of innovation for an enterprise, and after fully understanding its actual situation, develop new systems and initiatives suitable for the market and business development to go ahead of the times and win the fierce market competition.

Company Profile

Sunny Optical Technology (Group) Co., Ltd (Stock Code: 2382.HK) is a leading global manufacturer of integrated optical components and products. The Suntech Group (hereinafter referred to as the Group) is principally engaged in the design, research and development, manufacture and sale of optical and optical related products. These products include optical components (such as glass spherical and aspherical lenses, cell phone lenses, automotive lenses, security surveillance lenses and various other lenses), optoelectronic

products (such as cell phone camera modules, 3D optoelectronic products, automotive modules and other optoelectronic modules) and optical instruments (such as microscopes and intelligent testing equipment). Sunplus Group focuses on the application areas of optoelectronic-related products that combine optical, electronic, algorithmic and mechanical technologies: cell phones, digital cameras, in-vehicle imaging and sensing systems, security and surveillance systems, virtual reality/augmented reality and robotics.

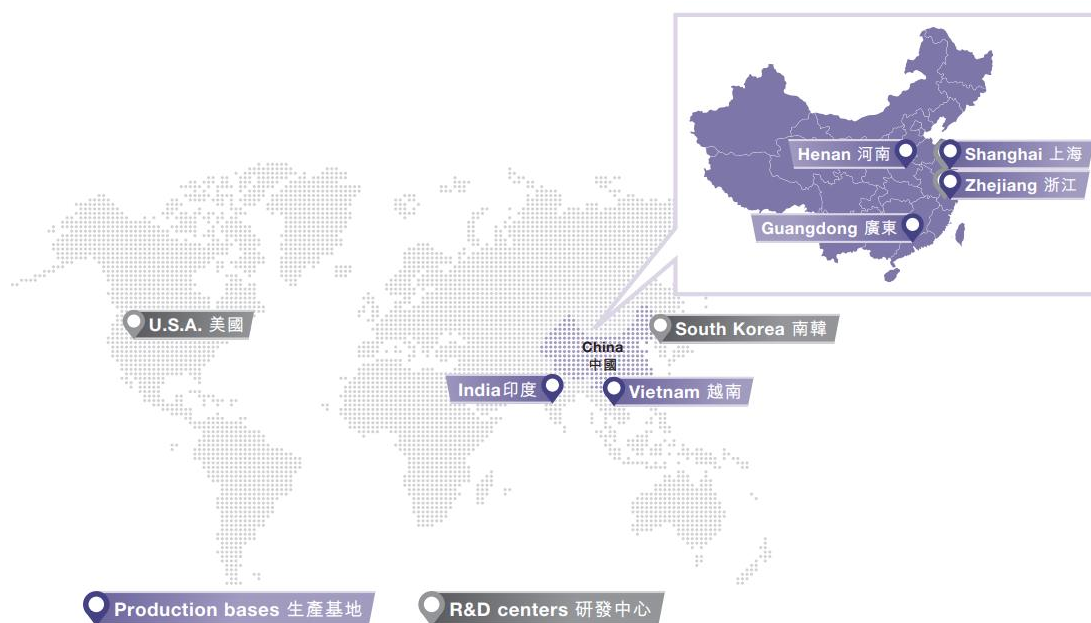


Figure 2.1 - Location of the production base of Sunplus Group

Source: official website of Sunny Optical Technology Group Co., Ltd

SUNNY GROUP 's production bases in China are located in Yuyao City, Zhejiang Province, Zhongshan City, Guangdong Province, Shanghai City and Xinyang City, Henan Province. In 2021, the first phase of construction of the Vietnam production base has been completed and production has started gradually, while the India production base is also on schedule for normal production and operation.

SUNNY GROUP 's financial and economic activities

The company's financial activities are manifested in the continuous circulation and turnover of the company's funds and the economic relations they embody.

The company transforms the funds raised by various means into various non-cash assets, such as fixed assets, raw materials and primary service products. These raw materials

are processed into products or services by workers' labor, and the products or services are sold in the market and finally transformed into cash. The amount of cash obtained from the sale of products or services (i.e. operating income) should generally be greater than the amount of cash originally invested (i.e. costs), and after deducting various labor, management and selling expenses incurred in the process of producing or providing services, the remaining amount of cash is the part of capital appreciation (i.e. profit). Part of the value-added capital flows out of the company's production and operation in the form of tax payment and dividend payment, while the other part remains in the company and participates in the company's production and operation process.

This is how the company's capital is constantly circulated and turned around, thus constituting a financial activity in the company's operation.

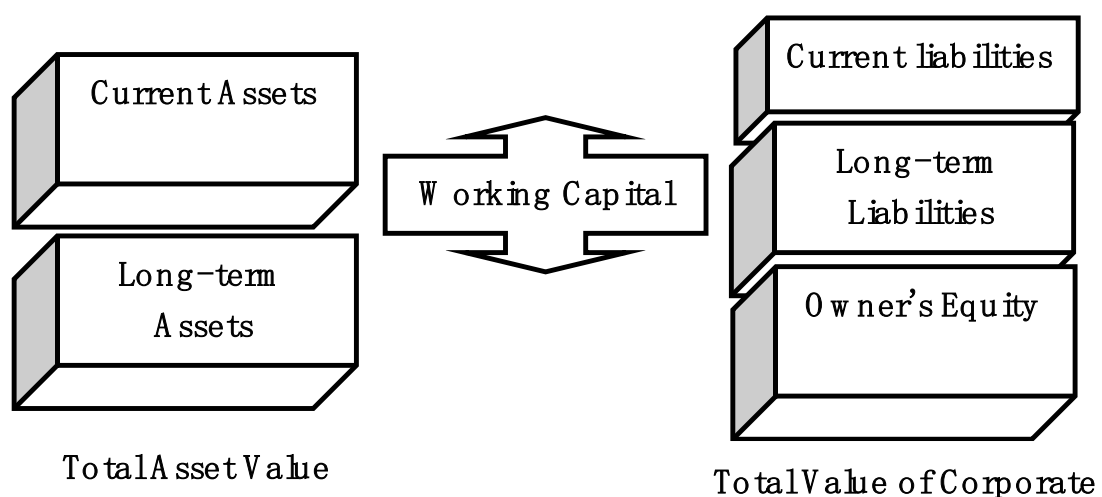


Figure 2.2 - Corporate balance sheet model

Source: developed by author

Therefore, companies generally use the balance sheet to reflect the company's financial situation. The left side of the balance sheet shows the company's assets, including current assets, fixed assets, intangible assets, etc. The company's asset position reflects its current asset management level and long-term asset investment status; the right side of the balance sheet indicates the company's source of funds, including current liabilities, long-term liabilities and shareholders' equity, while the company's liabilities and owners' equity reflect its preferences in terms of financing methods and financing structure .

The main elements of the company's financial activities.

(1) Corporate investments

Enterprise fixed assets (including tangible and intangible assets) are generally formed by the investment activities of enterprises. The traditional concept that the company should first raise funds before investing, because only when the funds are raised can they invest, but this concept is often the opposite of the actual operation of the company, because the entrepreneur is the soul of the company, the entrepreneur often first see the investment opportunities. It is the unique vision of identifying market opportunities and the excellent ability to seize them that makes them entrepreneurs. The scale of investment opportunities and the rate of return determine the financing strategy, and the success of investment is the key to the survival of the company.

SUNNY GROUP's investment activities include the acquisition and unwinding of unlisted financial products, the deposit and withdrawal of short-term time deposits, and the acquisition of property, plant and equipment. In particular, acquisitions and disposals of financial assets at fair value through profit or loss include debt instruments, equity investments, fund investments and unlisted financial products. Of these, fund investments are managed by the relevant financial institutions and are mainly invested in debt securities linked to the performance of the relevant senior debt; unlisted financial products are managed by the relevant banks in the PRC and are mainly invested in certain financial assets such as bonds, trusts and cash funds, the investment returns of which are determined based on the performance of the relevant government debt instruments and treasury bills.

(2) Corporate Finance

The company's short-term liabilities, long-term liabilities and shareholders' equity are formed by the company's financing activities. In fact, financing activities throughout the entire process of company development: when the company is established, it needs registered capital; for daily operation, it needs working capital; when the company has a good investment project, it needs long-term capital support; when the company expands its scale, it needs to inject new capital. It can be said that financing is a daily financial activity in the process of company operation.

Net cash used in financing activities of SUNNY GROUP for the year ended 31 December 2021 amounted to approximately RMB1,241.4 million, with cash inflows mainly

from new bank borrowings of approximately RMB5,557.9 million and outflows mainly from repayments of bank borrowings of approximately RMB5,354.7 million, dividends paid to shareholders of approximately RMB987.0 million, interest paid of approximately RMB222.1 million and purchase of shares under the Share Award Scheme of approximately RMB212.2 million. The major outflows were repayment of bank borrowings of approximately RMB5,354.7 million, dividends paid to shareholders of approximately RMB987.0 million, interest paid of approximately RMB222.1 million and purchase of shares under the Share Award Scheme of approximately RMB212.2 million. Capital expenditure For the year ended 31 December 2021, the Group incurred capital expenditure of approximately RMB2,588.9 million, mainly for the acquisition of property, plant and equipment, payment for leasehold land, payment for intangible assets and acquisition of other tangible assets. All capital expenditures were financed by internal resources and bank borrowings.

(3) Working capital management

From the top left and right sides of the balance sheet (i.e. "current assets" on the top left and "current liabilities" on the top right), how to manage the short-term funds of an enterprise constitutes the problem of working capital management. For an enterprise, cash, accounts receivable and other highly liquid assets are subject to frequent changes in value, while accounts payable, taxes payable and debts due must be paid on time, so the enterprise must pay constant attention to both current assets and current liabilities. At the same time, the mismatch between cash inflows and cash outflows in time and amount in operation needs to be constantly coordinated to ensure that the company's daily operating capital needs are met. Therefore, working capital management is essential to ensure the company's normal operation and is an important element of the company's financial activities. Working capital management requires reasonable arrangement of the ratio of current assets to current liabilities, adjustment of the internal structure of current assets and current liabilities, and improvement of the current asset turnover ratio.

Working capital management includes current asset management and current liability management.

In terms of current asset stock management requirements, each item in current assets needs to maintain a reasonable amount, and this appropriate amount is based on cost-benefit

analysis. In terms of current asset flow management requirements, it is necessary for each item in current assets to enhance its liquidity and improve its efficiency.

A part of the company's current assets belongs to permanent current assets, and the funds required for this part of current assets can be solved by long-term financing methods such as long-term bank credit, corporate bonds, and stocks. Other current assets are financed by short-term financing such as commercial credit, short-term bank credit, and commercial paper. The short-term financing of an enterprise constitutes the current liabilities of the enterprise. In the short-term financing decision, the short-term financing method is firstly selected by minimizing the financing cost. Since short-term funds such as commercial credits with low financing costs are limited, short-term funds must be selected with reference to the principle of availability, i.e., short-term funds are selected on a low-to-high financing cost basis. This results in the diversification of the company's current liabilities.

SUNNY GROUP's working capital is mainly derived from cash on hand and net cash from operating activities, and SUNNY GROUP relies on net cash from operating activities, bank borrowings and debt financing to meet its working capital and other capital expenditure requirements in the short term. In the long term, SUNNY GROUP will operate primarily with net cash from operating activities and additional bank borrowings, debt financing or equity financing, if required. For the year ended December 31, 2021, there were no significant changes in SUNNY GROUP's financial policies. As at 31 December 2021, the Group had current assets of approximately RMB27,989.3 million (31 December 2020: approximately RMB25,629.5 million), including bank balances and cash of approximately RMB5,605.2 million (31 December 2020: approximately RMB2,841.8 million); and 800,000); and current liabilities of approximately RMB11,873.5 million (31 December 2020: approximately RMB13,411.1 million). The Group's current ratio was approximately 2.4 times (31 December 2020: approximately 1.9 times). The total assets of the Group as at 31 December 2021 amounted to approximately RMB38,773.8 million, representing an increase of approximately 9.4% as compared to 31 December 2020.

Main economic activities of an enterprise.

The main economic activities of an enterprise can be broadly divided into three categories: financing activities, investment activities and operating activities.

1. Financing activities

Financing is the activity of raising funds to achieve the purpose of production and operation. The basic condition for enterprises to engage in production and business activities is to have a certain amount of capital, and through the use of funds, such as buying raw materials and machinery and equipment, employing workers, etc. to produce and sell products to achieve the purpose of profit. Therefore, raising funds is the first and foremost part of the business activities of an enterprise. There are two main sources of funds for enterprises, one is the input from investors, including direct input and retained profits of previous years; the other is the borrowing from outside.

2. Investment activities

Investing activities refer to the purchase and construction of long-term assets and investments not included in the scope of cash equivalents and their disposal activities. After an enterprise raises certain funds, it has to start investing in order to obtain profits. Investment activities can be divided into two categories according to the object: inward investment and outward investment. Inward investment mainly includes investment in long-term assets, such as the acquisition of basic production conditions such as land, buildings and equipment, and investment in research and development of products. External investments are divided into short-term and long-term investments: short-term investments, which are called trading financial assets in accounting; long-term investments include held-to-maturity investments, available-for-sale financial assets and long-term equity investments. The investments are mainly in various long- and short-term bonds, as well as stocks and funds. The disposal of assets invested internally and the collection of costs and interest or dividends from external investments are also part of the investment activities.

SUNNY GROUP's net cash used in investing activities for the year ended 31 December 2021 amounted to approximately RMB2,901.5 million, which was mainly due to the acquisition and release of unlisted financial products of approximately RMB46,718.5 million and approximately RMB46,923.8 million, respectively, during the year ended 31 December 2021 the Group also incurred capital expenditure of approximately RMB2,588.9 million during the year.

For the year ended 31 December 2021, SUNNY GROUP used approximately RMB2,588.9 million to make investments, mainly for the acquisition of property, machinery and equipment, initial set-up of production capacity for new products, lease payment for

land and necessary equipment configuration for new projects. These investments have enhanced SUNNY GROUP's R&D and technology application capabilities and production efficiency and broadened its revenue sources.

3. Business activities

Operating activities refer to all transactions and events other than investment and financing activities of an enterprise. They refer to the process of making market investigation and forecast, selecting the direction of product development, formulating long-term development plans, making scientific decisions and achieving predetermined business goals in the economic activities of material production and commodity exchange. Operating activities are the basic economic activities of an enterprise, which constitute the main content of the economic activities of an enterprise compared with financing and investment activities. The operating activities of manufacturing industry mainly include procurement of raw materials, production of products, warehousing of finished products, sales of products and recovery of sales money, i.e., the three processes of procurement, production and sales are completed. In addition, the calculation and payment of taxes are also involved in the process of procurement, production and sales. In this way, business operation is an economic activity in which a business operator uses his economic power to create as many products as possible to satisfy people's needs with the least amount of material consumption in order to obtain the maximum material benefit.

The cash inflow from SUNNY GROUP's operating activities comes mainly from cash receipts from product sales. Cash outflows from operating activities are mainly used for the purchase of raw materials, employee costs, selling and distribution expenses, research and development expenses and administrative expenses. Net cash generated from operating activities for the year ended 31 December 2021 was approximately RMB6,979 million and net cash generated from operating activities for the year ended 31 December 2020 was approximately RMB7,160 million.

2.2 Analysis of Financial Position Indicators

The analysis of financial indicators refers to the analysis indicators that summarize and evaluate the financial situation and operating results of the enterprise. The financial

indicators of the enterprise have always been an important part that cannot be ignored in reflecting the operation and profitability level of the enterprise, which can reflect the actual operating results and financial status of the enterprise, and is an important basis for measuring the state of business development 28.

Financial indicators of an enterprise usually refer to profitability, operating capacity, solvency, and development capacity 29. The following are the details of SUNNY GROUP's financial indicators for 2019-2021.

Profitability Indicators

Profitability refers to the ability of an enterprise to earn profits, also known as the capital or capital appreciation ability of an enterprise, and is usually expressed in terms of the amount and level of earnings of an enterprise within a specific period.

Table 2.1 - SUNNY GROUP profitability indicators for 2019-2021

Profitability	2019	2020	2021	2021/2019
Gross margin of main business	20.478	22.888	23.298	113.771
Profit margin from main business	12.699	15.464	15.591	122.773
Net asset margin	14.752	15.159	13.628	92.381
Return on net assets	36.259	34.319	27.174	74.944

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

1. Gross profit margin from main business, which is the ratio of gross profit from sales to net income from main business, is calculated as follows: Gross profit margin from main business = Gross profit from sales / Net income from main business * 100%.

Gross profit from sales = net income from main business - cost of main business.

The gross profit margin indicator of main business reflects the initial profitability of product or commodity sales. As can be seen from the table, SUNNY GROUP's gross profit margin from main business is on an upward trend from 2019 to 2021, indicating that SUNNY GROUP's products and merchandise have high initial profitability and are continuing to rise. From 2019 to 2021, SUNNY GROUP's gross profit margin from main business increased by 13.771%, indicating that SUNNY GROUP continues to improve its product sales, research and development and production processes so that its cost of sales to obtain the same sales revenue continues to decrease, which leads to higher profitability of its sales and continuous improvement of its management efficiency.

2. Profit margin from main business, which is the ratio of an enterprise's profit to its net income from main business, is calculated as follows: Profit margin from main business = profit / net income from main business * 100%.

According to the composition of the income statement, the profit of an enterprise is divided into four forms: profit from main business, operating profit, total profit and net profit. Among them, total profit and net profit contain non-sales profit factors, so the indicators that can more directly reflect the profitability of sales are main business profit margin and operating profit margin.

From Table 2.1, it can be seen that from 2019 to 2021, SUNNY GROUP's main business profit margin is generally on an upward trend, which represents its proper corporate sales strategy, the market competitiveness of its main business becomes stronger, the development potential becomes greater, and the profitability level becomes higher. However, in 2021, the upward trend slows down to a small increase, indicating that SUNNY GROUP's main business market encounters a small obstacle in 2021, and the New Crown epidemic has a certain impact on its main business. and thus improve the profitability and management efficiency of the company.

3. Net asset margin, which is the ratio of net profit to average total assets of the enterprise. It is an indicator reflecting the comprehensive utilization effect of the enterprise's assets. Its calculation formula is: net asset margin = net profit / average total assets.

The higher the net asset margin, the better the efficiency of the enterprise's asset utilization, the stronger the profitability of the whole enterprise, the higher the level of operation and management, and the higher the management efficiency of the enterprise.

From Table 1, it can be seen that the net asset margin of SUNNY GROUP increases from 2019 to 2020, which represents that the input and output level of the enterprise is getting better and better during this period, and the enterprise has a better asset operation strategy. the net asset margin of SUNNY GROUP decreases from 2020 to 2021, which indicates that the profitability of the enterprise's assets decreases, and the efficiency of the utilization of the total assets of the enterprise decreases. The level of enterprise management and enterprise management efficiency decreases. the ratio of net asset margin of SUNNY GROUP in 2021 to 2019 is 92.381%, which is a decreasing trend in general, and the

enterprise needs to improve its input and output in order to improve its operation and management efficiency.

4、Revenue on net assets, also known as return on net worth or return on equity, reflects the earnings of an enterprise from the shareholders' perspective, and refers to the ratio of net profit to average net assets of an enterprise in a certain period of time. It reflects the ability of investors to obtain net income from their own capital invested in the enterprise, i.e., it reflects the relationship between investment and remuneration, and is therefore the core indicator for evaluating the efficiency of capital operation and management of the enterprise. Its calculation formula is: $\text{Return on Net Assets} = \text{Net Profit} / \text{Average Net Assets} * 100\%$.

Return on net assets is the most comprehensive and representative indicator to evaluate the level of remuneration of the enterprise's own capital and its accumulation, reflecting the comprehensive efficiency of the enterprise's capital operation and also the comprehensive management efficiency of the enterprise.

Table 2.1 shows that SUNNY GROUP's return on net assets has been declining since 2019, and the decline becomes larger from 2020 to 2021, indicating that the income from its investments is decreasing. The three-year decline of 25.056% in return on net assets indicates that the company's ability to obtain income from its own capital decreases, and the operating income gradually decreases, representing a decrease in the efficiency of the company's comprehensive management.

Operating capacity indicators

The operating capacity of an enterprise is the total sum of the enterprise's ability to use existing internal conditions, its business plans and plans including the development of future economic trends and its own development potential, as well as various operating and management capacities of the enterprise's production departments. Operating capacity analysis refers to the analysis of the efficiency of the enterprise's asset utilization by calculating the relevant indicators of its capital turnover, and is an analysis of the management level of the enterprise and its ability to use its assets. Operating capacity is the efficiency and effectiveness of the operation of the enterprise's assets and reflects whether the current management of the enterprise is reasonable 30.

Table 1.2 - SUNNY GROUP Operating Capacity Indicators for 2019-2021

Operating capacity indicators	2019	2020	2021	2021/2019
Current asset turnover ratio	1.910	1.627	1.418	74.237
Inventory turnover rate	7.256	5.520	5.182	71.419
Total assets turnover ratio	1.399	1.183	1.025	73.236
Fixed asset turnover rate	6.758	5.555	4.807	71.127

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

1. Current asset turnover ratio refers to the ratio of net income from main business to average total current assets of an enterprise in a certain period, and current asset turnover ratio is an important indicator to evaluate the utilization rate of an enterprise's assets. Its calculation formula is: current asset turnover ratio (times) = net income from main business/average total current assets.

From Table 2.2, it can be seen that the current asset turnover ratio of SUNNY GROUP has a decreasing trend from 2019 to 2021, with a three-year decrease of 25.763%, indicating that the turnover rate of the enterprise's current assets gradually decreases, and the enterprise should strengthen internal management and make full use of current assets in order to improve the comprehensive utilization rate of current assets and the efficiency of comprehensive enterprise management.

2. Inventory turnover rate, also known as inventory turnover, is the ratio of the cost of main business to the average balance of inventory in a certain period of time, which is an indicator reflecting the speed of inventory turnover and the ability to sell goods, and is also a comprehensive indicator measuring the efficiency of inventory operation in the production and operation of enterprises. To a certain extent, it also reflects the management efficiency of the enterprise. The calculation formula is: Inventory turnover ratio (times) = main operating cost / average inventory balance

From Table 2.2, it can be seen that the inventory turnover ratio of SUNNY GROUP gradually decreases from 2019, which indicates that the enterprise's inventory management efficiency becomes low, the occupancy level of inventory is high and the liquidity is low, which will affect the enterprise's liquidity. SUNNY GROUP's inventory turnover ratio decreases by 28.581% in three years, which indicates that the company's liquidity is gradually slowing down and its management efficiency is gradually decreasing.

3. Total asset turnover ratio, which is the ratio of net income from main business to total assets of an enterprise. It can be used to reflect the efficiency of the utilization of all assets of the enterprise. Its calculation formula is: Total asset turnover ratio = net income from main business / average total assets.

The trend of total asset turnover ratio and inventory turnover ratio is basically the same. the total asset turnover ratio of SUNNY GROUP gradually shows a decreasing trend from 2019 to 2021, with a total decrease of 26.764%. The decline in total asset turnover ratio indicates that the enterprise's sales capacity becomes weaker, the effectiveness of asset investment is not good, and the efficiency of asset utilization becomes lower. Enterprises should take measures to improve the degree of asset utilization in order to improve management efficiency.

4. Fixed asset turnover rate refers to the ratio of annual net sales revenue to the average net value of fixed assets of an enterprise. It is an indicator to reflect the turnover of fixed assets of the enterprise, so as to measure the efficiency of fixed assets utilization. Its calculation formula is: Fixed Asset Turnover Ratio = Net Revenue from Main Business / Average Net Value of Fixed Assets

SUNNY GROUP's fixed asset turnover ratio gradually decreases from 2019 to a total of 28.873% in 2021. It indicates that the efficiency of the enterprise's fixed assets usage gradually decreases, the production results provided gradually decreases, and the operating capacity and management efficiency of the enterprise gradually decreases.

Solvency Indicators

Solvency is the ability of a company to use the assets it has to pay off its long-term and short-term debts. The key to the survival and development of an enterprise is its ability to repay its debts with its own assets or cash. The level of solvency of an enterprise is an important measure of its operating capacity and financial position 31.

Table 2.3 - SUNNY GROUP Debt Service Capacity Indicators for 2019-2021

Solvency Indicators	2019	2020	2021	2021/2019
Current ratio	1.777	1.911	2.357	132.649
Quick ratio	1.370	1.480	1.896	138.395
Gearing ratio	58.537	52.520	46.110	78.771

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

1. Current ratio, which is the ratio of current assets to current liabilities, indicates how many current assets per unit of current liabilities an enterprise has as a guarantee of repayment, and reflects the ability of an enterprise's current assets to repay its current liabilities. Its calculation formula is: $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$.

From Table 3, it can be concluded that SUNNY GROUP's current ratio gradually increases in three years, from 2019 to 2020 is a small increase, and from 2020 to 2021 is a large increase, from 2019 to 2021 is a total increase of 32.649%. This indicates that the short-term solvency of the enterprise has gradually increased, and the enterprise has more working capital to offset short-term debts, which also shows that the enterprise can realize a larger amount of assets, its strong liquidity, stable production and operation status, and high efficiency of enterprise management.

2. Quick ratio, is the ratio of quick assets to current liabilities. Its calculation formula is: $\text{Quick ratio} = \text{Quick assets} / \text{current liabilities}$.

From the data, it can be seen that SUNNY GROUP's quick ratio and current ratio have similar changes, with a small increase from 2019 to 2020, and a larger increase from 2020 to 2021. the quick ratio of SUNNY GROUP increased from 1.370 to 1.896, an increase of 38.395%. Conventional experience suggests that a quick ratio of 1:1 is normal, which indicates that for every unit of current liabilities, a company has one unit of liquid assets that can be easily liquidated to cover them, and that short-term solvency is reliably guaranteed. Therefore, SUNNY GROUP has a strong short-term solvency in 2021, and its short-term solvency is gradually increasing.

3. Gearing ratio, also known as debt ratio, is the ratio of total liabilities to total assets of an enterprise. It indicates the proportion of creditors' funds in the total assets of the enterprise and the degree of protection of creditors' rights and interests by the enterprise's assets. Its calculation formula is: $\text{Gearing ratio} = (\text{total liabilities} / \text{total assets}) * 100\%$

From the data, it can be concluded that SUNNY GROUP's gearing ratio is decreasing year by year. It decreases from 58.537% in 2019 to 52.520% in 2020 and then to 46.110% in 2021. the ratio of the data in 2021 to 2019 is 78.771%, so the gearing ratio is decreasing evenly in three years with a total decrease of 21.29%. Over the three years, SUNNY GROUP's gearing ratio is in a reasonable range, which indicates that the company has sufficient capital and good ability to raise debt to operate.

Growth capacity indicators

The growth capacity of a company is also known as the growth capacity of a company. It is a measure of an enterprise's potential ability to expand its production scale and increase its economic strength. When analyzing the development capacity of an enterprise, the following indicators are examined:

Table 2.4 - SUNNY GROUP Development Capacity Indicators 2019-2021

Development capacity indicators	2019	2020	2021	2021/2019
Three-year average growth rate of operating income	158.661	68.750	54.961	34.641
Three-year average capital growth rate	159.036	121.294	140.527	88.362%
Three-year average growth rate of total assets	163.788	122.845	81.408	49.703
Three-year average profit growth rate	225.397	72.516	103.599	45.963

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

1. The three-year average growth rate of operating income is the relationship between the total operating income of the enterprise for three consecutive years and the total operating income three years ago. The three-year average growth rate of business income shows the growth of business income for three consecutive years, reflecting the continuous development trend and market expansion ability of the enterprise. The formula is: Three-year average growth rate of revenue = $[(\text{Total year-end revenue} / \text{Total year-end revenue three years ago}) / 3 - 1] * 100\%$.

From the data, we can see that SUNNY GROUP's three-year average growth rate of operating income has a decreasing trend in three years, including an explosive decline in 2020 and a small decline in 2021, and the ratio of the data in 2021 to 2019 is 34.641%, a three-year decline of 65.359%. This data eliminates the impact of short-term fluctuations in operating income on the operating growth rate indicator, indicating that the long-term development capacity of the enterprise has been decreasing in three years, with a gradual decline in the momentum of sustained business growth and reduced market expansion capacity. According to the factual and policy analysis, it should be that the New Crown

epidemic has a great impact on SUNNY GROUP's sales operation and gradually recovered under the policy optimization of SUNNY GROUP in 2021.

2. Three-year average capital growth rate, which indicates the accumulation of enterprise capital for three consecutive years, reflects to a certain extent the level of sustainable development and development trend of the enterprise. Its calculation formula is: Three-year average capital growth rate = $[(\text{Total year-end owner's equity} / \text{Total year-end owner's equity three years ago}) / 3 - 1] * 100\%$.

Since the general growth rate indicator has a "lag" in the analysis and only reflects the current period, using this indicator can reflect the historical development of the enterprise's capital accumulation or capital expansion, as well as the trend of the enterprise's steady development.

As seen in Table 2.4, SUNNY GROUP's three-year average capital growth rate shows a brief decline from 2019 to 2020, from 159.036% to 121.294%, followed by a rebound in 2021, rising to 140.527%. the ratio of 2021 to 2019 data is 88.362%, a three-year decline of 11.638%. This indicates that SUNNY GROUP has a very high degree of security of owner's equity, and the enterprise has sufficient funds available for long-term use, and is highly resistant to risk and sustainable development.

3. The three-year average growth rate of total assets is the growth of total assets of the enterprise for three consecutive years, which can measure the growth of the enterprise's long-term asset scale and evaluate the degree and trend of the expansion of the total business scale of the enterprise. The formula is: Three-year average growth rate of total assets = $[(\text{total assets at year-end} / \text{total assets at year-end three years ago}) / 3 - 1] * 100\%$.

From Table 4, the three-year average growth rate of SUNNY GROUP's total assets declined precipitously from 163.788% to 81.408% in 2019, indicating that the expansion rate and trend of total assets of the enterprise began to slow down, and the expansion rate of asset operation scale in one business cycle of the enterprise decreased.

4. The three-year average profit growth rate indicates the growth of enterprise profit for three consecutive years, which reflects the development potential of the enterprise. Its calculation formula is: three-year average profit growth rate = $[(\text{total profit at the end of the year} / \text{total profit at the end of the year three years ago}) / 3 - 1] * 100\%$.

As seen in Table 4, the enterprise's profit explodes in 2019 with a three-year average profit growth rate of 225.397%, and the enterprise's three-year average profit growth rate decreases to 72.516% in 2020 and rises again to 103.599% in 2021. Profit is the basis of enterprise accumulation and development, and the higher this indicator is, the more the enterprise accumulates, the stronger the sustainability and the higher the potential for development. The average profit growth rate of three years reflects that the profit growth trend of the enterprise is gradually slowing down and gradually stabilizing, which reflects the better development status and development ability of the enterprise.

It should be emphasized that the above four types of indicators are not independent of each other, they are complementary to each other and have a certain internal connection. If the enterprise's turnover is good, the profitability will be stronger, and the solvency and development ability of the enterprise will be improved. And vice versa.

2.3 Evaluation of Activity Results

Under new and modern conditions, SUNNY GROUP has responded positively to the rapidly changing market landscape, fierce industry competition and the impact of the regular epidemic, and has worked hard to maintain its leading position in the industry.

Table 2.5 SUNNY GROUP Financial Summary for 2021

Financial Highlights (for the year ended December 31)				
Unit (RMB million)	2019	2020	2021	2021y/2019y
Revenue	37848.7	38001.8	37496.9	99.1
Optical parts	8815.4	9181.1	8776.1	99.6
Photovoltaic products	28748.4	28494.3	28333.5	98.6
Optical instruments	284.9	326.4	387.3	135.9
Gross Profit	7750.7	8697.9	8736.2	112.7
Net Profit	4019.4	4940.3	5055.9	125.8
Basic earnings per share (RMB cents)	364.8	445.8	456.5	125.1

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

For the year ended 31 December 2021, the Group's revenue was approximately RMB37,496.9 million, representing a slight decrease of approximately 0.9% as compared to 2019. Gross profit was approximately RMB8,736.2 million, an increase of approximately

12.7%. Gross profit margin, on the other hand, was approximately 23.3%, an increase of approximately 2.8 percentage points. Net profit was approximately RMB5,055.9 million, an increase of approximately 25.8%. Basic earnings per share increased to approximately 456.5 cents, representing an increase of approximately 125.1%.

As of December 31, 2021, Suntech's three major products (i.e. cell phone lenses, automotive lenses and cell phone camera modules) had the world's largest market share. In the cell phone lens business, the growth of SUNNY GROUP's cell phone lens shipments was under pressure due to unfavorable factors such as weak global smartphone market demand, declining terminal configuration specifications and supply chain constraints. 2021, the Group's cell phone lens shipments decreased slightly by approximately 5.9% to approximately 1,439.5 million units compared to last year. However, by continuously promoting the optimization of customer structure and enhancing R&D and process technology capabilities, SUNNY GROUP further consolidated its position as the world's No. 1 in terms of market share. In the in-car lens business, although the tight supply of chips severely constrained the growth of global automobile sales, the adoption rate of in-car lenses continued to increase, benefiting from the development of autonomous driving. 2021 shipments of in-car lenses grew by approximately 21.0% over last year to approximately 67.98 million units, further solidifying the Group's position as the No. 1 in terms of market share worldwide. In the cell phone camera module business, SUNNY GROUP overcame many unfavorable factors, such as low demand in the smartphone market, downgraded terminal configuration and declining share of high-end products, to further increase its share in domestic and overseas leading customers. 2021, the Group's cell phone camera module shipments increased by approximately 13.6% over last year to 673.7 million units, achieving good shipment growth, occupying the number one position in market share worldwide.

The financial indicators of SUNNY GROUP are analyzed in depth using the DuPont analysis.

The most distinctive feature of the DuPont model is that several ratios used to evaluate the operating efficiency and financial position of the enterprise are organically combined according to their intrinsic linkages to form a complete system of indicators, which are ultimately reflected in a comprehensive manner through the return on equity. By adopting this method, the financial ratios can be analyzed at a clearer and more prominent level,

which can facilitate the report analyst to understand the operation and profitability of the enterprise comprehensively and carefully.

This analysis method was first used by the DuPont Company, hence the name DuPont Analysis. The basic idea is to break down the return on net assets into a number of financial ratio products, which helps to analyze and compare the business performance in depth.

DuPont analysis breaks down the return on net assets into three components for analysis: profitability, total asset turnover and financial leverage.

$$\begin{aligned}\text{Return on net assets} &= \text{Net income/total equity} \\ &= (\text{Net income/total equity}) \times (\text{Total assets/total assets}) \\ &= (\text{Net income/total assets}) \times (\text{Total assets/total equity}) \\ &= \text{Return on assets} \times \text{equity multiplier} \\ &= (\text{Net income/total assets}) \times (\text{Total assets/total equity}) \times (\text{Sales revenue/sales revenue}) \\ &= (\text{Net income/sales revenue}) \times (\text{Sales revenue/total assets}) \times (\text{Total assets/total equity}) \\ &= \text{Profit margin} \times \text{Asset turnover} \times \text{Equity multiplier} \quad (2.1)\end{aligned}$$

This formula 2.1 is a good way to reveal the three factors that determine the profitability of a company:

1. the ability to control costs and expenses. Because the net profit margin = net profit \ sales revenue = 1 - (production and operating costs + financial costs + income tax) / sales revenue, and the ability to control costs affect the formula (production and operating costs + financial costs + income tax) / sales revenue, thus affecting the net profit margin.

2. The efficiency of the use of assets is reflected by the asset turnover ratio (sales revenue/total assets). It represents the sales revenue that can be generated per unit of assets from financing activities to obtain funds (including equity and liabilities) to form the company's total assets through investment. Although the asset turnover ratio varies greatly from industry to industry, for the same company, the greater the asset turnover ratio, the more efficient the use of the company's assets.

3. Financial financing capacity, reflected by the equity multiplier (total assets/shareholders' equity). If the equity multiplier is 4, it means that the company can

borrow 4 units of capital for every 1 unit of capital invested by shareholders, i.e., the company can use 4 units of capital for every 1 unit of capital invested by shareholders. The larger the equity multiplier, i.e., the higher the gearing ratio, the stronger the company's past debt financing ability.

The formula can be further refined and represented visually with a graph, which is illustrated in Figure 2.3 using the SUNNY GROUP division as an example. The first number in each box indicates SUNNY GROUP's data for 2019, and the second number indicates its data for 2021, which is derived from SUNNY GROUP's annual financial reports for 2021 and 2019.

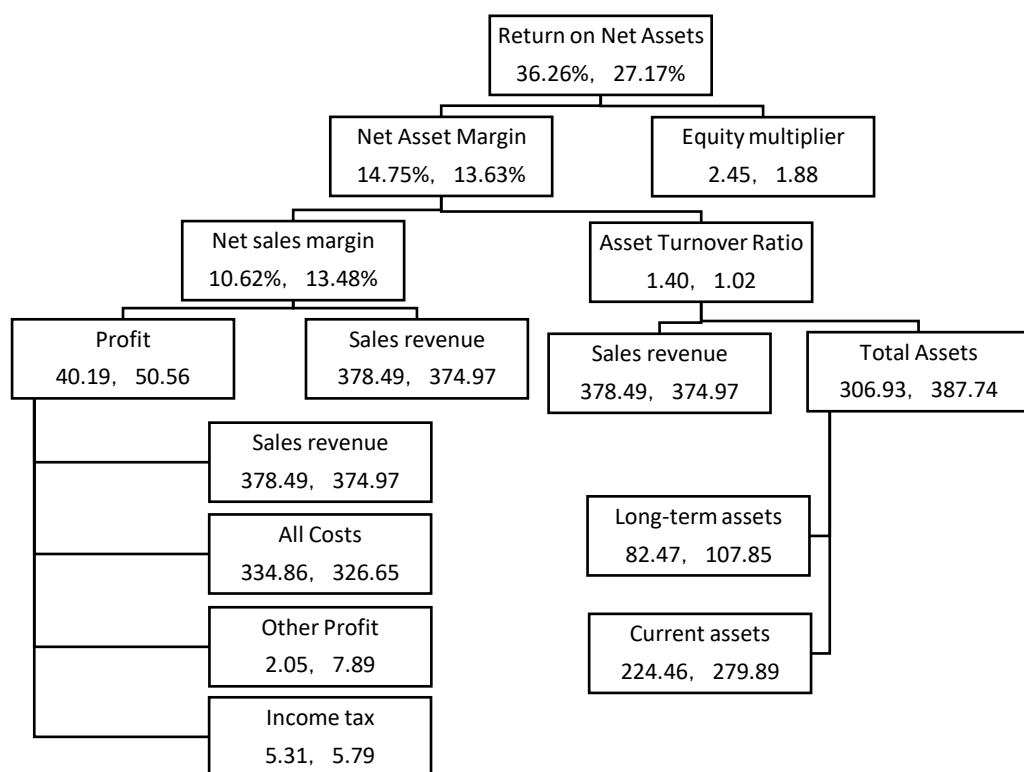


Figure 2.3 DuPont analysis chart of SUNNY GROUP

Source: developed by author

As Figure 2.3 shows, SUNNY GROUP's return on net assets is 27.17% in 2021, down from 36.26% in 2019. It is clear from the decomposition that the decrease in the firm's return on net assets is the result of the combination of a decrease in the capital structure (equity multiplier) and a decrease in the effectiveness of the utilization of total assets (return on total assets).

The decrease in the equity multiplier indicates a decrease in the firm's gearing, representing a weaker debt financing capacity and a decrease in the firm's leverage benefit, but also a corresponding decrease in the risk taken.

Breaking down the return on total assets reveals a small increase in the company's net sales margin in 2021, but a relatively large decrease in total asset turnover leading to a decrease in its return on total assets and return on net assets. The decrease in total asset turnover indicates a decrease in the efficiency of capital utilization, which will ultimately affect the company's profitability. The split between net sales margin and total asset turnover shows that the profit of the company rose in 2021, but the sales revenue did not change significantly, thus increasing the net sales margin of the company. And the asset turnover ratio decreases because there is no large change in sales revenue in 2021 when the firm's total assets increase significantly. And when profit is split, it is found that profit has improved in year 21 because of the decrease in total cost of the enterprise. This means that SUNNY GROUP has done a good job of cost control in FY21.

Therefore, to enhance profitability, the company needs to work on increasing operating income and also maintain a high total asset turnover ratio, which will lead to an increase in net operating margin, which in turn will lead to a greater increase in net total asset margin and promote an increase in return on net assets. At the same time, enterprises should do a good job of controlling all internal costs to maximize the benefits of the enterprise.

Summary of Financial Indicator Analysis

In 2021, the global economy continued to recover, but the emergence of new variants of the virus brought more uncertainty about the duration of COVID-19, and different vaccination schedules and policies also led to a divergent economic outlook in different countries. In the face of the complex external environment, SUNNY GROUP Group has risen to the challenge and responded positively, achieving solid growth in all three main businesses and further creating value for shareholders.

The authors analyzed SUNNY GROUP's profitability, operating capacity, solvency, and growth indicators using comparative analysis, ratio analysis, and trend analysis, respectively. After that, several ratios of SUNNY GROUP, which are used to evaluate the operating efficiency and financial status of the company, are organically combined by using

DuPont analysis to form a complete index system, and they are compared and analyzed in depth. The following conclusions were reached.

In terms of profitability, SUNNY GROUP's products and products have a high initial profitability and continue to increase. The company continues to improve the sales and development of its products to reduce its cost of sales, and has achieved good cost control. The company has a good sales strategy and has been expanding its main business market over the past three years to improve its profitability and management efficiency. However, the enterprise's net asset margin decreases, representing a decrease in the efficiency of the enterprise's total asset utilization, and the enterprise needs to improve its input and output to enhance its operational management efficiency. 2019 to 2021, SUNNY GROUP's ability to obtain income from its own capital decreases, and operating income gradually decreases, representing a decrease in the enterprise's overall management efficiency.

Operating capacity. Because of the impact of the New Crown epidemic, the turnover rate of SUNNY GROUP's current assets decreases year by year. The enterprise should strengthen internal management and make full use of current assets in order to improve the comprehensive utilization rate of current assets and the enterprise's comprehensive management efficiency. The efficiency of enterprise inventory management becomes low, the occupancy level of inventory is high, the liquidity is low, and the enterprise's realization speed gradually becomes slower. The sales capacity of the enterprise becomes weaker, the effectiveness of asset investment decreases, and the efficiency of asset utilization becomes lower. Enterprises should take measures to improve the level of asset utilization in order to improve management efficiency.

Solvency. The enterprise has sufficient capital and good ability to raise debt for operation. The short-term solvency of the company is gradually increasing, and the company has more working capital to cover short-term debts, which also shows that the company has a large amount of assets that can be realized, and its ability to realize is strong, and the production and operation status is stable.

In terms of development capability, SUNNY GROUP has a high degree of protection of owner's equity and has sufficient long-term capital to resist risks and sustain development. However, due to the impact of the general environment, the expansion rate and trend of the total assets of the enterprise began to slow down, and the expansion rate of the scale of assets

and operations of the enterprise in one business cycle decreased. The long-term development ability of the enterprise is decreasing, and the momentum of continuous business growth of the enterprise is gradually decreasing, and the market expansion ability is decreasing. The trend of profit growth gradually slows down and gradually tends to rise steadily, reflecting the better development status and ability of the enterprise.

Therefore, in order to enhance profitability, the company needs to make efforts to increase operating income, and also maintain a high turnover rate of total assets, so that the net operating margin can be improved, which in turn will lead to a greater increase in the total net asset margin and promote the improvement of the return on net assets. At the same time, enterprises should do a good job of controlling all internal costs to maximize the benefits of the enterprise.

CHAPTER 3

DIRECTIONS OF IMPROVING MANAGEMENT EFFICIENCY OF ENTERPRISE IN MODERN CONDITIONS

3.1 Management problems of domestic enterprises

The new crown epidemic has made the global business environment more and more complex and difficult. Although China has taken the lead in resuming work and production with strong governance under the continuous grip of the epidemic, the severe global economic environment has put forward higher requirements on the governance and business capabilities of Chinese enterprises. With the gradual adjustment of China's economic structure, the gradual improvement of economic system, the continuous growth of GDP and the rapid development of market economy, we must accelerate the implementation of innovation-driven development strategy in order to adapt faster and better to the requirements of the phase change of economic development. And to achieve innovation-driven development, the most fundamental thing is to rely on the main body of enterprises. Enterprises are the core link of the whole innovation chain, and if they want to accomplish better development, they must try to find ways to improve the management efficiency of enterprises, and through improving the management efficiency, they can achieve the purpose of reducing the management cost and speeding up the work efficiency, thus improving the innovation ability and core competitiveness of the company, and enhancing the comprehensive strength and development power of the enterprise.

However, in the current production and operation process, most of the enterprises only focus on the final profitability, few of them really evaluate the company and the group adequately and appropriately from the perspective of management efficiency, and they lack a comprehensive analysis of management efficiency. How to view the current level of management efficiency in Chinese companies; what can be done to effectively improve the management efficiency of a company; what factors can be used to improve the management efficiency and what problems exist in companies at present, all these questions are worth studying in depth. The level of management efficiency of a company is an important

indicator that affects its performance and is also a necessary criterion for evaluating the company's behavior. This shows that it is urgent to conduct research on management efficiency in companies. The study of management efficiency allows companies to understand the strengths and weaknesses of their management, so that they can build on their strengths and avoid their weaknesses, improve their management, and move them in the direction of better quality. Therefore, it has become an important issue that companies must face and solve to strengthen their understanding and find countermeasures as soon as possible.

With the continuous progress and development of science and technology, our lives have undergone radical changes. Under the new trend of the times, the development and operation of enterprises must endure new opportunities and challenges.

SUNNY GROUP's management culture is gradually falling behind

In the context of the new era, although Chinese enterprises have basically completed the construction of a modern enterprise system and the transformation of management methods, the management concept, an important factor, remains to a certain extent in the past. Simply described, in the enterprise managers often take task assessment as the goal, to punish instead of management, this management style is simple and rough, so that administrators and managers formed a strong confrontational emotions. Therefore, there are always employees who disobey the management and cause unnecessary conflicts, which seriously affects the motivation of employees and makes some of them treat their work with negative attitude and even falsify. These similar incidents have happened in SUNNY GROUP. Therefore, all this must be changed, like those international famous companies, the management concept of responsibility and care is crucial, which represents the need for more humane management. The assessment of employees must be comprehensive and more attention must be paid to the growth and improvement of employees. Increase the annual training program for employees, both to improve their work business ability, but also to shape new ideas for employees and enhance their sense of identification with the company, thus increasing the efficiency of employees and the management efficiency of the company. Secondly, enterprises should establish their own safety, health and environment management system, so that the concept of safety, health and environment can be deeply rooted in the hearts of employees and transformed into their conscious behavior. This not

only helps to improve the corporate image, but also helps to improve the overall quality and comprehensive management efficiency of the enterprise staff, thus improving the core competitiveness of the enterprise.

This must mention the enterprise culture, enterprise culture is the sum of management ideas, management style, management theory, group consciousness and the way of thinking and behavior that is adapted to the long-term production, operation, construction and development process of the enterprise. It is a set of cultural traditions and constantly innovative behaviors advocated by the enterprise leadership and observed by the top and bottom, which is reflected in the enterprise values, business philosophy and behavioral norms, and permeates all areas and all time and space of the enterprise. Its core content is the cultivation of corporate values, corporate spirit, corporate business philosophy, and the improvement of the ideological and moral style of enterprise workers. Through the construction and implementation of enterprise culture, the humanistic quality of the enterprise can be optimized, which ultimately promotes the core management efficiency and competitiveness of the enterprise, and promotes the growth of the economic benefits of the enterprise.

Therefore, paying attention to the construction of corporate culture is an important step for effective enterprise management, which many enterprises tend to forget. Corporate culture is the sum of corporate values, which mainly includes corporate spirit and corporate core values, and is the soul of an enterprise. The management concept is rooted in the corporate culture, which is the result of continuous summing up and refining in the process of development, and every success and failure will bring certain experience and lessons to the enterprise, which will be transformed into the spiritual wealth of the enterprise through summing up and refining, and used to motivate and educate employees. cultural values. However, the company often focuses on the form and propaganda, without actual improvement, thus failing to play a role, which is also a challenge to SUNNY GROUP's comprehensive management ability.

Lack of Diversity in Firms

For enterprises, management efficiency is not only an important indicator for evaluating enterprise performance, but also determines the level of enterprise management effectiveness, which is one of the main elements of enterprise core competitiveness. the

higher echelon theory proposed by Hambrick and Mason 32 argues that the heterogeneity of the executive team affects the behavior of the enterprise, and ultimately and inevitably affects the outcome of enterprise development. In recent years, executive team heterogeneity has gradually become a popular research direction in academia, where heterogeneity contains several dimensions, such as education, nationality, age, gender, etc. Gender, as one of the important dimensions of executive team heterogeneity, has received more and more attention for its value and impact on the firm.

Executive team heterogeneity can bring an all-round perspective and comprehensive solutions to companies, which can have a positive effect on corporate performance. Therefore, SUNNY GROUP, as a large enterprise, should improve in this area.

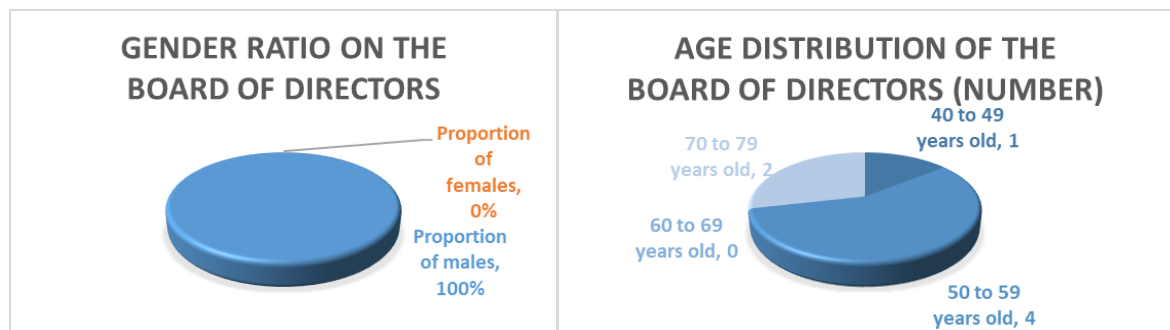


Figure 3.1 - Gender and age distribution of SUNNY GROUP board composition

Source: developed by author

As you can see from the data, SUNNY GROUP has a total of seven board members, and all seven are men, none of them are women, which is a very extreme data. In terms of age distribution, SUNNY GROUP has the most directors between the ages of 50 and 59, with a total of 4, followed by 2 between the ages of 70 and 79, which are the patriarchs of the company. Lastly, there is a total of 1 person between the ages of 40 and 49. There are no directors of other age groups. As you can see, the composition of SUNNY GROUP's board of directors is all male and unevenly distributed in age.

Unfortunately, this phenomenon is common in corporate development. Women have different logical thinking and way of thinking than men, and can provide more comprehensive advice and countermeasures; secondly, women have a strong "maternal aura", and are more delicate, friendly and easy to communicate and exchange; at the same

time, women's "forward-looking At the same time, women's "forward-looking" mentality also makes them more cautious and conservative in thinking about issues, and they will not easily make drastic and risky moves, so SUNNY GROUP should make more detailed and scientific improvements to its board composition and personnel change rules 33.

These problems continue not only at the board level, but also at the middle management level and even at the grassroots level, which has created a stereotype of SUNNY GROUP in the workplace. The stereotypes cause gender inequality in the workplace, which in effect limits the efficiency of corporate management. Women are still hindered from reaching their full career potential due to gender stereotypes, gender pay gap, and reduced career development opportunities. Unfortunately, men have a higher acceptance rate than women under the same conditions during interviews; men are always perceived to be more reliable, authoritative and convincing compared to women; and men always have higher promotion opportunities than women, which is the stereotype of gender in the workplace.

Table 3.1 - Employee diversity ratio of SUNNY GROUP

Category	Employee structure	As at 31 December 2021	
		Number	Proportion
Gender	Male	15,071	61.1
	Female	9,593	38.9
Age group	<30	14,388	58.3
	30-39	8,464	34.3
	40-49	1,458	5.9
	≥50	354	1.5
Type of employees	Formal employees	23,149	93.9
	Trainees	1,515	6.1
Position	Senior management members (Note 1)	627	2.5
	Middle management members	3,625	14.7
	Grass-roots employees	20,412	82.8
Region	Mainland China	24,131	97.8
	Other regions	533	2.2

Notes:

(1) Senior management members include personnel with management title of deputy department head and above or with professional technical title of senior engineer and above; approximately 17.5% of senior management members are female.

Source: annual financial report of Sunny Optical Technology Group Co., Ltd. in 2021

From the data, it can be seen that the ratio of male to female employees in SUNNY GROUP is unbalanced, with 15,071 men (61.1%) and 9,593 women (38.9%). Even the proportion of women in senior management is only 17.5%. This indicates that in the working environment of SUNNY GROUP, male members tend to be in excess of female members. At the same time, the age distribution is concentrated under 30 years old, and SUNNY GROUP should strive to create a diverse work environment for its employees.

Therefore, we must remove this stereotype in the company and forge diversity in the company. Managers need to lead by example to truly achieve gender equality in the workplace, so that women can play a better role in the workplace and thus improve the efficiency of the management of the company to a greater extent.

Risks faced by SUNNY GROUP

The issue of size has always been one of the hot issues of concern to the academic and governmental sectors. The economy of scale of an enterprise is not only one of the important theories of economics, but also the scope of management research. Economies of scale reflect the comprehensive strength of an enterprise. At the micro level, the size of an enterprise is crucial to its survival and development. The change of scale size is conducive to increasing the market share of enterprises, which has the effect of enhancing the dominant power of enterprises in the market and strengthening their competitiveness. At the meso level, the presence of sizeable enterprises in the industry can enhance the ability of enterprises to integrate the market. At the macro level, the scale of enterprises is conducive to enhancing the market competitiveness of enterprises and industries, thus improving the international competitiveness of the country 34.

However, nowadays, the gradual development and improvement of the market economy has made the level of competition among companies in the market more and more intense, which has led SUNNY GROUP to constantly pursue corporate scale and corporate development speed, resulting in its internal management not being able to keep up, inefficiency of comprehensive management and problems in business processes. The fundamental goal of management is to improve the economic efficiency of the company, and when the company reaches a certain scale, the organic combination of production factors within the company makes the average cost, including overhead, tend to decrease, thus bringing about an increase in economic efficiency and generating economies of scale.

The improvement of economic efficiency motivates the company to invest more reasonably in the new round of operation, such as increasing the training and learning opportunities for employees, improving the salary and benefits of employees, and improving the company's hardware facilities, which in turn improves the motivation of the company's employees and ultimately promotes the smooth development of management activities. On the contrary, when the company is too large, it will make the internal elements of the company constrain each other, leading to an increase in the average cost, the phenomenon of " $1+1<2$ ", and the occurrence of diseconomies of scale. This leads to the slow transfer of information within the company or the occurrence of phenomena such as distortion of information in the process of information transfer, which increases the complexity of the subsequent management of the company and reduces the management efficiency of the enterprise, thus leading to increased uncertainty in the future management of the company 35.

At the same time, under modern conditions, social and economic development and people's lifestyles have undergone radical changes, and the survival and development of enterprises and business management are facing new opportunities and challenges. Enterprises can no longer adopt the traditional crude operation and management methods, but should develop in the direction of intensive and refined management. The use of Internet big data technology for information management upgrade is the key to management mode change.

Network information security is critical for a large enterprise like SUNNY GROUP. Enterprise data contains a large amount of business data and customer information data, which involves business secrets. If these important data are leaked, it will definitely make the enterprise suffer incalculable losses, seriously lose the trust of customers, lose potential and existing customer base, and then affect the enterprise goodwill as an important intangible asset. In the era of big data, Internet transactions are increasingly common and many aspects of business processes are realized mainly through the Internet, which has led to the evolution of contracts, related agreements, receipts, invoices, etc. from paper versions to electronic versions in terms of operational procedures. While this has led to increased efficiency, network information security issues have also emerged. For example, electronic documents and figures in networks or databases are susceptible to tampering or theft due to hacker attacks and network viruses. If not supervised and prevented, it will lead to data

platform paralysis and loss of important data, which will bring great loss to enterprises. How to ensure the network data security of enterprises is a major challenge for enterprises in the era of big data. Enterprises should effectively prevent, control, and resolve the risks that may occur in information technology construction, ensure development with security, and promote security with development 36.

Big data processing capability is also a major problem point for SUNNY GROUP on the way to scale up. In the era of big data, the competition among enterprises is the competition of data mining speed, quality, and capability. Enterprises must focus on enhancing the corresponding big data processing capability, must consider big data as an asset that can bring sustainable value to the enterprise, and continuously improve the quality and quantity of big data assets so that they can become a strategic reserve, and use big data as a basis to analyze market dynamics in real time, track market development trends, optimize existing products and services, and establish new business models by relying on emerging media and network platforms 37.

3.2 Ways to transform approaches to enterprise management in order to increase the efficiency of this process

Under the new modern conditions, the world economic recovery has shown an unstable and unbalanced trend, and the international situation has not turned significantly better. At the same time, the uneven development of the supply chain and the sudden increase in demand for semiconductors in fields such as new energy vehicles and VR have made the shortage of chips a key bottleneck for the continued development of each related technology manufacturing industry. Despite the harsh external business environment, SUNNY GROUP, as a large company, should bear the brunt of the situation and optimize the company for improvement according to the existing form and problems of the company.

SUNNY GROUP Management Culture

At present, domestic enterprises are facing more and more fierce competition in the market, and they need to deal with various challenges from home and abroad constantly. SUNNY GROUP managers should make a deep analysis of the relationship between management system and corporate culture, and correctly handle the relationship between

the two, which is an important way to improve the management ability and core competitiveness of the enterprise. This is an important way to improve the management ability and core competitiveness of the company. Corporate culture covers the material culture, behavioral culture, institutional culture and spiritual culture of the enterprise, whether it is the external performance or the internal spirit of the enterprise, all of which are components of corporate culture. And the enterprise management system itself can reflect the enterprise culture.

Promote the process of institutionalizing enterprise management to promote the development of corporate culture. Doing it so that employees identify with the company's culture and translate it into their own work behavior is a key part of the corporate culture construction. The corporate system with the core concept of the company can strengthen the corporate culture and become the common recognized thought of the employees after long and repeated practice and improvement. Corporate culture has the role of promoting the effective implementation and continuous innovation of the corporate system. Before the formation of corporate culture, the implementation of the system can only rely on external supervision for restraint, once the supervision is not effective employees will most likely not do as required, the enterprise management costs are very high; once the formation of corporate culture, the actions of employees will become a voluntary behavior, no need to strengthen supervision. The construction of excellent corporate culture can stimulate the staff's "self-discipline consciousness", thus reducing the cost of corporate management and helping the long-term stable development of the enterprise.

Enterprise culture is a people-oriented management philosophy. Therefore, it is very important to create a unique corporate culture and firmly grasp the focus of corporate culture construction to enhance the centripetal force and cohesion of the enterprise. Therefore, SUNNY GROUP needs to have the following four changes in management culture.

1. Realize the transformation from form propaganda to action practice

In the construction of human-centered culture, SUNNY GROUP puts forward beautiful corporate slogans, designs beautiful brochures and shoots wonderful TV propaganda films. However, this kind of formalistic propaganda is not meaningful for the construction of its human-oriented culture. The construction of enterprise culture is a systematic project, only to complete the transformation from theory to practice, the

implementation of the actual action of all cadres and employees of the enterprise, to achieve concrete operation, can really play its role. First of all, let all employees thoroughly understand the profound connotation of people-oriented culture, from the ideological establishment of the important concept of "people-oriented"; secondly, the diagnosis and analysis of the current situation of the enterprise, the development of the actual human-centered culture implementation steps in line with the enterprise; once again, in the implementation process of human-centered culture, to break the original bad behavior pattern of the enterprise. In the process of implementing human-oriented culture, we should break the original bad behavior pattern of the enterprise, establish new human-oriented behavior through various strengthening means, and gradually realize the behavior, operation and practice of human-oriented culture of the enterprise. Only in this way can we really transform the humanistic culture into the driving force and source of innovative behavior of employees.

2. Realize the transformation from a few individuals to all employees

Due to the traditional culture in the concept of hierarchical status, as well as the profit contribution and the actual role of multiple influences, enterprises in the implementation of people-oriented culture, unconsciously divide the department, employees into three, six, nine, using different standards to treat respectively. For example, the upper management cadres to talk about people, the grassroots ordinary employees are set aside; the enterprise as the backbone of the young backbone of the staff to talk about people, the rest of the less prominent general staff are ignored. I do not know, these actions themselves are contrary to the "people-oriented", humanism advocates the primary value is the concept of equality, all employees of the enterprise, regardless of status, we should be treated equally. Enterprise is an organic whole, any employee is part of this organism, the core competitiveness of the enterprise from the joint efforts of all employees. Even if an individual or a department alone can achieve some success, it cannot support the long-term sustainable development of the enterprise. The success of an enterprise must be built on teamwork and on the basis of the full effort of each employee. This requires the implementation of human-centered culture must include all employees without prejudice, so that all can enjoy the "people-oriented" care and incentive, in the work to stimulate their own potential, to produce more innovative behavior.

3. Realize the change from material-oriented to spiritual-oriented

"People-oriented" can be expressed in both material and spiritual aspects, enterprises in the implementation of people-oriented culture, often focus on material "people-oriented" oriented, pay attention to material satisfaction, material incentives, material status, material rewards, while ignoring the spirit of "People-oriented". According to the Motivation-hygiene theory of Fredrick H erzberg, a famous American behavioral scientist, the satisfaction of material needs only belongs to the health care factor of work, which can only make employees feel no dissatisfaction with their work, but cannot achieve satisfactory motivation effect. The material "people-oriented" can't play a fundamental role in motivating employees' potential development, achievement motivation and self-actualization, but these spiritual factors are the main motivation to stimulate employees' innovative behavior. Therefore, when implementing human-centered culture management, enterprises should pay attention to the change from material-led to spiritual-led. Not only emphasize the satisfaction of employees' material needs, but also pay attention to the realization of employees' self-worth, the stimulation of work potential, the satisfaction of emotional needs, and the development of hobbies and other spiritual needs of "people-oriented". At the same time, we should create a tolerant enterprise human-oriented culture, give employees full trust and spiritual support, provide the corresponding material conditions needed for their innovative behavior, encourage them to actively explore and seek new and different ideas, and tolerate and accept possible failures in the process of their innovation to the maximum extent.

4. Transformation from disorganization to institutionalization

SUNNY GROUP should make a comprehensive and systematic plan and arrangement when promoting human-oriented culture. In the implementation of people-oriented culture, the company must, according to the actual situation, from the satisfaction of the material and spiritual needs of employees, motivate the innovative behavior of employees, develop a systematic and comprehensive construction and promotion program and plan, and implement it in stages and steps to realize the change from disorderly implementation of people-oriented culture to systematic implementation, and establish a complete mechanism of people-oriented culture within the company to ensure that all cadres and employees can understand and implement it from both ideological and behavioral aspects. The company

should establish a complete human-centered culture mechanism within the company, and ensure that all staff members can understand and implement it from both thinking and behavior.

Therefore, SUNNY GROUP should establish a Sunyu spiritual culture system with the core value of "people-oriented and co-creation". Its content should include three spirits and four concepts, three of which are the entrepreneurial spirit of hard work, the spirit of innovation to keep pace with the times, and the team spirit of harmony, and four of which are the employee-oriented development concept, the professional ethics of integrity and dedication, the character pursuit of knowledge and action, and the behavior style of quick response.

In addition, SUNNY GROUP should consider the promotion of sustainable development as an inescapable responsibility of the company, which is also the long-term policy of business management. Therefore, as a socially responsible company, SUNNY GROUP should always adhere to the core value of "co-creation" in its production and management activities, actively comply with environmental laws and regulations, achieve environmental protection and sustainable development through technological innovation and manufacturing reform, and at the same time consciously assume its responsibilities as a corporate citizen in economic development, social security, culture and education in order to SUNNY GROUP should further improve its compliance and internal control measures, increase its anti-fraud efforts, strengthen the sustainable development management of the entire supply chain, and actively participate in education, charity and other public welfare projects, so as to further deepen its sustainable development capacity building.

Enterprise Diversification

Profit maximization is an important indicator to measure the success of an enterprise, and the key to profit maximization for an enterprise is to improve the management efficiency of the enterprise. Therefore, how to improve management efficiency becomes an important means for enterprises to improve their performance and enhance their core competitiveness.

With the development of China's economy and the change of traditional thinking, women's unique management advantages and character traits are gradually shown in corporate governance, achieving one brilliant achievement after another and being increasingly valued and appointed by enterprises. In this context, enterprises should

recognize the unique role of women in corporate governance, make full use of the unique advantages of female executives in corporate governance and decision-making, actively promote diversity in management, reduce gender discrimination against female executives and employees, and recruit and promote more capable female managers and workers to bring diverse decision-making perspectives to the team, improve the management leadership style and reduce risky behaviors in the company.

SUNNY GROUP should make people and diversity a core value of SUNNY GROUP. Diversity on the Board of Directors has many benefits in improving the company's performance. Diversity in board membership enhances decision making, and a diverse board can handle organizational change more effectively and is less susceptible to groupthink. In order to achieve sustainable and balanced growth, SUNNY GROUP should consider increasing diversity at the board level as a key factor in supporting its strategic objectives and sustainable growth. The focus is on ensuring a balanced mix of skills and experience to provide a variety of perspectives, insights and questions to enable the Board to effectively perform its duties and responsibilities and to develop sound strategies for the Group's core business and strategy.

Diversity should not only be implemented in the Board of Directors, but should also be a central point in the recruitment and retention of talent. With 24,664 full-time employees, SUNNY GROUP should attract new talent, motivate and retain existing talent, and establish a fair and competitive compensation and benefits system based on the company's overall operations, industry standards, and individual employee performance³⁸, including annual base salary, year-end bonus, and economic value-added sharing bonus. The benefits include social insurance, housing fund, employee leave, emergency relief fund, etc., to show that the Group strives to achieve the goal of "aligning responsibilities with interests, abilities with values, risks with rewards, and performance with earnings" in the distribution of compensation to employees.

The company should implement diversified incentive methods and establish an efficient incentive mechanism. The company should use equity incentive to provide long-term incentives to the company's operators and core talents, and give them dual identities, so that they can operate and manage the company as shareholders, and get huge wealth through the stock income when the company's performance improves, so as to motivate their

efforts to improve the long-term value of the company 3940. Enterprises should consider various factors and innovatively try different ways such as combining equity incentive and salary incentive, so that different forms of incentive can give full play to their respective advantages and establish a reasonable and effective diversified incentive mechanism suitable for the enterprise's own situation to achieve the best incentive effect and escort for the improvement of enterprise management efficiency.

At the same time, SUNNY GROUP should still diversify its investments in different banks to reduce concentration risk, and will closely monitor the performance of its investments and future investment plans made in accordance with its prudent policy, in order to utilize and increase the return of the Group's idle funds, while maintaining a high level of liquidity and a low level of risk.

SUNNY GROUP Management Optimization

The expansion of company scale can lead to the application of more advanced science and technology, the recruitment of more high-quality personnel, the reduction of the marginal cost of production, and the improvement of the management efficiency of the enterprise, so that the company can achieve economies of scale through the expansion of the company scale, and then improve the economic efficiency of the company. However, it should be noted that a large company size does not necessarily guarantee the emergence of economies of scale, because the process of expanding the size of the company will not only increase the capital investment, but also drive the increase of other related costs such as management costs. If the revenue brought by the expansion of the scale is lower than the costs incurred, it will result in lower operating income, and because the company's management costs cannot be reduced in the short term, this will lead to a reduction in the overall management efficiency of the company.

With the expansion of the enterprise scale, the organization will gradually become larger, the division will become more and more detailed, and the degree of bureaucratization of the enterprise will also increase, and the biggest problem faced at this time is the inefficiency of SUNNY GROUP. Although there are systems and processes, they are not refined and the processes are not implemented properly.

SUNNY GROUP should simplify, integrate, add, and adjust existing processes to improve process efficiency, and also monitor the overall performance of the process in the

form of clear process owners so as to avoid the problem of inter-departmental pushing of committees. Generally, when process optimization is carried out, the focus is on the efficiency and cost of relatively low-level processes, etc. Some methods and tools can be used to improve the existing processes, while emphasizing the effective implementation of the process, which generally does not involve major organizational changes and process changes.

Therefore, the company should make the company in the upward stage of the economy of scale effect when expanding its own scale. However, when the company's scale development exceeds its own actual affordability, the company's scale effect will decline, especially with the expansion of scale, the expenditure of management personnel and management-related costs will also increase rapidly, therefore, when the company's scale effect decreases, the company's revenue decreases, and the management costs increase, the company's management efficiency will undoubtedly decline.

In order to increase the efficiency of corporate management, companies should use big data as a means and information for decision making. Big data technology can enable corporate decision makers to grasp the whole picture and aim at the details so that they can make the right decisions and point the right direction for the development of the company.

First of all, SUNNY GROUP should pay attention to the network information security of big data technology. Enterprises should enhance the professional ability of independent research and development of information software, train employees with relevant expertise in firewall technology, upgrade hardware and software configuration, carry out data encryption and backup, and ensure data security. At the same time, adopt the method of leadership control and responsibility to contain the principle of network security control of the enterprise. Enterprises should develop the big data processing technology they need and introduce advanced data processing technology at home and abroad in a timely manner, and carry out information construction from both hardware and software. The company's finance department should cooperate with each business department, sort out the collection elements of financial indicators, collect the data of each indicator through the big data platform and management information system, establish the company's big data financial database, and strengthen the management of data sources in order to achieve dynamic monitoring of indicator changes and automatic early warning analysis of problems. The construction of

big data platform allows the system function to complete the analysis tasks, efficiently, timely and accurately discover the problems in the indicators, locate the weak links in the indicators, and prompt the relevant responsible departments or responsible persons to develop corresponding improvement plans in time 41.

Again, it is necessary to start from the top leaders of the enterprise to pay attention to the application of big data technology, understand the business value of data, optimize the enterprise in terms of organizational structure, corporate system, corporate culture, and staffing, and create an atmosphere of continuous learning within the enterprise. Finally, enterprises should actively cultivate big data analysis and management talents. Specially train a group of technical talents with big data analysis ability and related management talents within the enterprise, and organize big data training for each management of the enterprise to improve the sensitivity of managers to data. Make the enterprise's big data talent team with big data application business ability, analysis ability, management ability, with technology development, maintenance and risk prevention and control ability.

3.3 Development of effective strategic directions of enterprise development

Business management efficiency is an important indicator of business development. If a company wants to achieve sustainable development, it must pay attention to the issue of improving management efficiency and develop an effective development strategy.

And risk management is a prerequisite for developing the strategic direction of an enterprise. Strategy is an enterprise or organization's global, long-term planning and strategy for the development direction, goals, tasks and policies, as well as resource deployment for a certain period of time. Strategic analysis in strategic management activities is a series of judgments on uncertainties in accomplishing specific objectives of an enterprise, so that strategic objectives can be formulated on the basis of a full analysis of the external and internal environment.

Risk management is a management method that seeks to obtain maximum security assurance at minimum cost by recognizing, measuring and analyzing risks and choosing the most effective way to deal with them in a proactive, purposeful and planned manner. When companies are faced with market opening, regulatory unbundling, and product innovation,

all of which increase the volatility of change and consequently the riskiness of operations. Good risk management helps to reduce the chance of wrong decisions, avoid the possibility of losses, and increase the added value of the company itself.

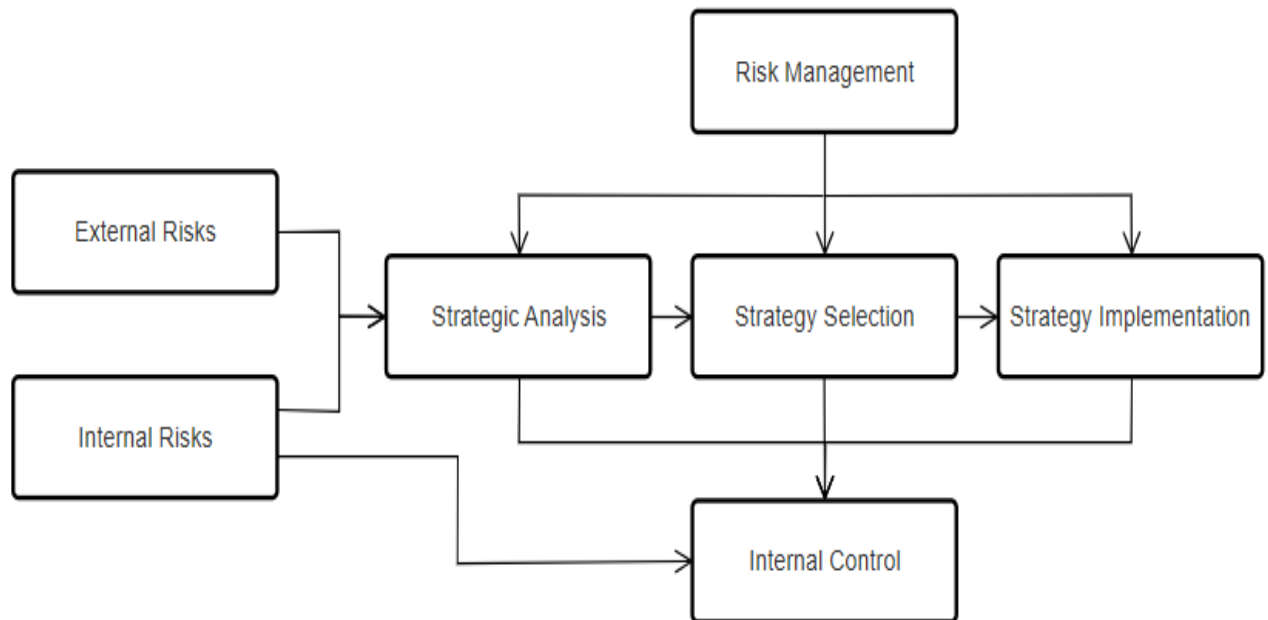


Figure 3.2 - Relationship between corporate strategy, risk management and internal control

Source: developed by author

Analysis of the external environment of the enterprise and risk management. At each stage of business development, there must be a forward-looking strategy to lead the operator's behavior, so choosing an appropriate strategy is crucial for the enterprise. The primary aspect of setting strategic goals is to analyze the external environment facing the business operation, including the political environment, economic environment, legal environment, cultural environment and natural environment of the country or region where the business is located. The analysis of strategy must take into account the risks in the external environment, including political risks brought by the local political system, political situation and policies for the future development of the enterprise, legal risks brought by laws and regulations for the business activities of the enterprise, market risks caused by the supply of raw materials, product market supply and demand, natural risks caused by natural disasters, environmental conditions, etc.

Internal environment analysis and risk management. The internal environment includes governance structure, institutional settings and allocation of authority and responsibility, human resource policies, internal audit, corporate culture, etc. In the process of formulating strategic objectives, in addition to analyzing the risk factors in the external environment, it is also necessary to analyze the risks arising from the internal environment, such as organizational and management risks caused by the quality of managers, organizational structure, corporate culture, management process, etc.; product risks caused by product design, market entry timing and market positioning, etc.; marketing risks caused by the complexity and variability of the environment and the limited cognitive ability of the enterprise to the environment. Marketing risk caused by the complexity and variability of the environment and the limited ability of the company to recognize the environment; financial risk caused by the company's unreasonable financial structure and improper financing, which may cause the company to lose its solvency and lead to a decline in investors' expected returns. Unlike the risks in the external environment, the risk factors in the internal environment are within the control of the company, and internal control is the control of these controllable risks from the business process and authorization level 42.

Risk management contributes to the achievement of the strategic objectives of the business. Risk is the likelihood of an event occurring that has an impact on the business objectives and is the uncertainty of the event itself. Risk management is the identification, measurement and analysis of risks and the adoption of appropriate methods and strategies to reduce them to an acceptable level. Risk management can be defined as a process, one that is influenced by the board of directors, managers and other personnel. There are often many risks in the process of achieving a company's strategic objectives, and the risks faced by companies with different business objectives and strategic missions vary.

SUNNY GROUP needs to face various risks and uncertainties in its operation, which may adversely affect its operation if not properly handled. Take SUNNY GROUP as an example and design a risk management table for SUNNY GROUP.

According to the risk management table of SUNNY GROUP, we can see that there are 6 different directions of risks in the table, which are business and strategy risks, safety production risks, unexpected public safety events risks, human resource risks, supply chain management risks, and information system and information security management risks. For

these six risks, the main control and handling plans are given on the right side, and these plans will always be in all production management activities of the company.

Table 3.2 - SUNNY GROUP risk management table

SUNNY GROUP Key Risks	Main control and treatment solutions
Business and strategic risks. Uncertainties in the regulatory, political environment, trade environment, industry trends and other changes in the external environment in the regions where SUNNY GROUP operates may materially and adversely affect its internationalization route, business performance, market share, development prospects or the implementation of its strategies.	-Actively monitoring industry trends, competitors and innovative products. -Actively monitoring and preparing for global and local regulatory changes that may affect the Group. -Increasing oversaturation investment in emerging strategic industries to rapidly complete strategic rollout. -Increasing investment in new businesses and cultivating new growth points -Dynamically updating the Company's development strategy and continuously adjusting the ways and means of advancing strategic goals in accordance with the situation. -Continue to promote the construction of overseas production bases and equity participation and investment.
Production safety risks. Due to factors within the enterprise and other factors, there may be major emergencies that affect the safe production of equipment and facilities, property safety, occupational disease hazards of employees and the ongoing operation of the enterprise.	-Strengthen staff safety training, organize safety training and drills from time to time to enhance staff safety awareness. -Strengthen the daily monitoring and timely maintenance of various equipment, and make safety protection modifications to the equipment. -Regularly carry out hidden danger inspection, control the source safety risks, and carry out thorough remediation of safety hazards. -Optimize the integration of safety management and standard operating procedures, and make timely adjustments to the operating process. -Optimize the emergency planning system and immediately start emergency response procedures in case of black swan events.
Risk of public safety emergencies Due to external natural disasters, epidemics and other factors, unexpected public safety events may affect the ongoing operations of the Company.	-Active monitoring of external development trends of public security emergencies -Improve emergency response plans for public safety emergencies. -Regularly organizing emergency management teams for public safety emergencies and holding emergency meetings for emergencies. -Implementing grid-based management, implementing emergency management to each grid leader, and implementing publicity and management to each employee. -Increasing the management of public safety emergencies in overseas subsidiaries.
Human resources risk. Rapid personnel changes and insufficient human resources reserves will prevent SUNNY GROUP's development needs from being fully met and affect its production planning and execution, which may result in the	-Regularly conduct organizational diagnosis, develop talent planning that matches our strategy, and reserve talent in advance. -Actively promote the automation of production lines. -Regularly conducting talent inventory and evaluation, and hiring and retaining talent with attractive incentive programs.

loss of competitiveness of its products and production methods. Insufficient optimization of human resources allocation and insufficient incentive mechanisms may lead to brain drain, work stoppage and other labor problems, which may adversely affect the operation of the company. With the increase of overseas investment, there are differences between overseas employment and domestic employment, and there may be overseas employment risks.	-Redefine compensation strategy and improve compensation incentive mechanism. -Improve the full lifecycle management of cadres and optimize the ranking system. -Carry out multi-level talent training programs to improve the business level of employees. -Strengthening corporate culture construction work to enhance employee satisfaction and dedication. -Optimize systematic management mechanisms for overseas employment recruitment, compensation and personnel.
Supply chain management risk. The supply of some core raw materials, components and high-end equipment is limited, and SUNNY GROUP faces risks in the supply of raw materials, components and rising costs due to energy scarcity, COVID-19, international relations and exchange rate fluctuations, which affects product delivery.	-Optimize supplier management strategy to improve supply flexibility. -Expanding resource channels and developing supplier resources. -Strengthen the use of materials control efforts to improve material utilization. -Strengthen cooperation with suppliers, prepare materials in advance and guarantee material supply -Timely attention and monitoring of exchange rates, market supply and demand, tariff policies, market prices of bulk raw materials, and international political developments to reduce procurement costs. -Entire life cycle delivery guarantee, identify delivery risks from the source, confirm materials and plan production capacity in advance, and coordinate overall resources.
Information system and information security management risk. SUNNY GROUP operation is highly dependent on information technology system, and the system is invaded or attacked, or trade secret information is not managed properly, which may cause the leakage of confidential information of the company and affect the normal operation of the company.	-Establish information security management system, continuously improve information system management system, and continuously improve information security control measures. -Strengthen the physical security of enterprise data center, develop information system/data backup and information system disaster recovery plan, standardize personnel operation, and ensure the business continuity of information system. -Continuously increase information security promotion and create information security culture atmosphere. Regularly audit the implementation of information security policy and continuously optimize the construction of information security system. -Strengthen internal and external network security protection measures and virus defense capabilities to ensure the security of the Company's information and business systems.

Source: developed by author

The key to developing a sound strategy is to assess whether the opportunities it offers outweigh the risks it poses. A sound risk management system not only helps companies to stop losses in time, but also improves their ability to cope with risks. Risk management is

developed at the strategic level and is always integrated into all activities of the company, identifying potential risks and responding to them quickly, avoiding threats and seizing opportunities in order to ensure sustainable and stable development of the company and to achieve strategic goals with reasonable risk expectations.

Based on the company's data and risk management plan, I have formulated the following effective strategic directions to promote the rapid development of the company.

SUNNY GROUP should continue to firmly implement the "Famous and Matching Strategy" to build a world-renowned optoelectronic company. We will seize the historical opportunity of international industrial restructuring to integrate into the core supply chain of international modern optoelectronic industry, form our own unique advantages in the international industrial division of labor, become a strategic partner of international famous multinational companies, strive to create technological and value advantages, become a leader in the niche market, and create a world-renowned corporate and product brand.

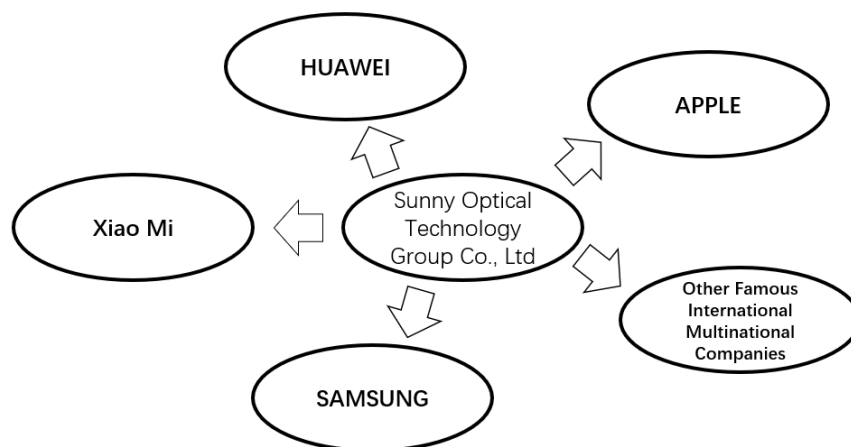


Figure 3.3 - Famous supporting actor strategy - become a core supplier of international famous multinational companies

Source: developed by author

On this basis, we have established the Sunyu spiritual culture system with "people-oriented and co-creation" as the core value, and insisted on promoting three spirits and four concepts to lay the cultural foundation for the development of the enterprise.

Three spirits: the entrepreneurial spirit of hard work, the innovative spirit of keeping up with the times, and the team spirit of harmony.

Four concepts: employee-oriented development concept, integrity and professional ethics, the pursuit of character in the pursuit of knowledge and action, and the style of quick response.

In-depth development in four directions in business operation, the key words are expanding advantages, continuous R&D, fine management and absorbing talents.



Figure 3.4 - Four directions of SUNNY GROUP's strategic development

Source: developed by author

1. Strengthen and enlarge the existing advantageous business and further increase the market share.

- Continue to promote the development and self-production of new technologies and key components, and strengthen the application of new processes and technologies in product manufacturing to improve the straight line rate, product quality and consistency of quality.

- Accelerate the development iteration of new specification and high specification products to attract and guide the demand of customers.

- Continue to reduce product costs to achieve fast, low-cost, high-quality delivery.

2. Continue to increase investment in new business and position strategic control points in the industry.

- Increase investment in R&D in VR/AR, machine vision, LIDAR and other fields to improve product integration and technology content.

- Target global head customers, win market first-mover advantage, and input strong power for the Group's sustainable and rapid development.

- Strengthen technological innovation, establish and improve new business incubation and cultivation mechanism.

3. Improve management refinement and commit to continuous improvement of operation quality.

-In-depth improvement of management system, standardization of management process, and acceleration of information construction and digital change of business.

-Continuously improve the quality of operation to achieve clear responsibilities, clear processes and consistent goals to realize efficient operation.

-Strengthen risk management work, and promote the normalization of risk management and intelligent management in the ground.

4. Strengthen the construction of talent team and deepen the internal incentive mechanism.

-Focus on talent attraction and retention, and promote the construction of cadre echelon by taking the succession of middle and senior cadres as a grip. We will take advantage of our technological leadership, continue to improve our patent layout, continue to deepen our product development and technological innovation, gain insight into market changes, respond quickly to customer needs, further deepen the construction of sustainable development capabilities to continuously improve our comprehensive competitive strength, provide more high-quality optical products and services with high technological added value to the world's top high-tech enterprises, promote the growth and value of the enterprise, and continue to Create more returns for shareholders.

Looking ahead, the global economic recovery is still expected to be difficult, the international environment is complicated, so consumer demand will continue to be sluggish, the development of related industries is not optimistic, and some enterprises face huge pressure on their operations. However, with the digital economy, green economy gradually become the main engine of global economic growth, which will bring new growth space and development opportunities for the optoelectronic industry. The rapid development of autonomous driving to promote multi-sensor mount, VR/AR, robot vision and other emerging industries have huge market space. Therefore, short-term pressure is also motivation, SUNNY GROUP should be confident about the future development and will continue to strengthen and expand the existing advantageous business, continue to improve the market share, while actively increasing the investment in emerging business to seize the industry's high ground, and further strengthen technological innovation, improve management and enhance corporate management efficiency in order to achieve high-quality sustainable development.

CONCLUSIONS

After research and analysis, based on the relevant theoretical principles and the financial indicators and the current situation of Sunwing Optical Technology Group Limited, the following summary is drawn.

1. In reality, people constantly pursue the optimization of enterprise management decisions, aggregate limited human, material, financial and other types of enterprise resources, and optimize their allocation structure, maximize the use of management tools to obtain the best enterprise performance with the least amount of resource input, so as to complete the process of enterprise business objectives, is the continuous pursuit of "Pareto optimal "2.

2. The maximization of enterprise output is an ideal state, and the non-maximization is the normal state. Therefore, enterprise managers need to continuously improve enterprise operation according to the actual situation in order to enhance the efficiency of enterprise management.

3. The final amount of output produced by the enterprise is determined by the internal environment of the enterprise and the motivation of the employees, so the enterprise must have a quality internal environment and a perfect incentive mechanism.

4. According to the relevant financial indicators of SUNNY GROUP, the situation of each capability indicator is as follows.

The profitability of SUNNY GROUP's products and products has a high initial profitability and continues to increase. The company continues to improve the sales and R&D of its products to reduce its cost of sales and has achieved good cost control. The company has a good sales strategy and has been expanding its main business market over the past three years to improve its profitability and management efficiency. SUNNY GROUP's ability to earn income from its own capital has been reduced, and operating income has been gradually reduced, representing a decrease in the efficiency of the company's overall management.

Operating capacity. Because of the impact of the New Crown epidemic, the turnover speed of SUNNY GROUP's current assets decreases year by year. The enterprise should strengthen internal management and make full use of current assets to improve the

comprehensive utilization rate of current assets and the enterprise's comprehensive management efficiency. The efficiency of enterprise inventory management becomes low, the occupancy level of inventory is high, the liquidity is low, and the enterprise's realization speed gradually becomes slower. The sales capacity of enterprises becomes weaker, the effectiveness of asset investment decreases, and the efficiency of asset utilization becomes lower. Enterprises should take measures to improve the level of asset utilization in order to improve management efficiency.

Solvency. The enterprise has sufficient capital and good ability to raise debt for operation. The short-term solvency of the company is gradually increasing, and the company has more working capital to cover short-term debts, which also shows that the company has a large amount of assets that can be realized, and its ability to realize is strong, and the production and operation status is stable.

In terms of development capability, SUNNY GROUP has a high degree of protection of owner's equity and has sufficient long-term capital to resist risks and sustain development. However, due to the impact of the general environment, the expansion rate and trend of the total assets of the enterprise began to slow down, and the expansion rate of the scale of assets and operations of the enterprise in one business cycle decreased. The long-term development ability of the enterprise is decreasing, and the momentum of continuous business growth of the enterprise is gradually decreasing, and the market expansion ability is decreasing. The trend of profit growth gradually slows down and gradually tends to rise steadily, reflecting the better development status and ability of the enterprise.

Therefore, in order to enhance profitability, the company needs to make efforts to increase operating income, and also maintain a high turnover rate of total assets, so that the net operating margin can be improved, which in turn will lead to a greater increase in the total net asset margin and promote the improvement of the return on net assets. At the same time, enterprises should do a good job of internal cost control, so as to maximize the benefits of enterprises.

5. In order to achieve effective corporate management and maintain sustainable development, it is necessary to achieve effective integration between corporate management system and corporate culture to achieve symbiosis and two-way interaction. Therefore, SUNNY GROUP should establish a Sunyu spiritual culture system with the core value of

"people-oriented and co-creation". At the same time, the core values of SUNNY GROUP should be people-oriented and diversity. 6.

6. The company should pay attention to risk management and formulate it at the level of corporate strategy, so that it can always be carried out in all activities of the company, discover and identify those potential risks at any time, make quick responses to the risks, avoid threats, seize opportunities, and promote the successful achievement of the strategic objectives of the company in a reasonable risk expectation while ensuring sustainable and stable development of the company.

7. SUNNY GROUP should continue to implement the "Famous and Matching Strategy" to build a world-renowned optoelectronic company, and develop in the four directions of expanding advantages, continuous R&D, fine management, and absorbing talents.

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Appendix