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Public Management and Administration

QUALIFICATION WORK

Education Degree - Master

on: **Improving the Management System of the Enterprise: Financial
Risks and Preventive Measures of a Real Estate Company**

Completed:

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student of

073 «Management» (EP «Administrative Management»)

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Faculty Economics and Management
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TASK

on qualification work for student

Ding Guoji

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Supervisor Viktoriia Shumkova, PhD, Associate Professor

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2. Deadline for student completed project (work) September, 5 2024

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- to study theoretical and scientific methodical foundations of the management system of the enterprise;
- to analyze management system of Nanning Red Sun Real Estate Company;
- to analyze the financial risks of the enterprise;
- to analyze the preventive measures of the enterprise;
- to consider and identify ways to improve the management system of the enterprise through implementation of risk management.

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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>June-July, 2023</i>	
2	Selection and analysis of literary sources, the preparation of the first theoretical chapter	<i>August - December, 2023</i>	
3	Preparation and presentation of draft of the first chapter of the thesis	<i>January 2023</i>	
4	Collection and processing of factual material, synthesis analysis of application issues in the enterprise	<i>March 2024</i>	
5	Making the theoretical part of the thesis, summarizing the analytical part	<i>April 2024</i>	
6	Design options improve the research problem	<i>May 2024</i>	
7	Completion of the project part of the thesis, design chapters	<i>June 2024</i>	
8	Previous work and its defense review	<i>July 2024</i>	
9	Checking the authenticity of the thesis	<i>August, 2024</i>	
10	Deadline for student completed the thesis	<i>September, 02 2024</i>	
11	Defense of the thesis	<i>September, 11-12 2024</i>	

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SUMMARY

Ding Guoji. Improving the Management System of the Enterprise: Financial Risks and Preventive Measures of a Real Estate Company.

Master thesis in specialty 073 «Management» OP «Administrative Management», Sumy National Agrarian University, Sumy, 2024. - Manuscript.

The qualification work presents methodological and practical recommendations for improving the enterprise management system, conducts a theoretical and methodical investigation of the enterprise management system, analyzes the existing management system, and identifies and substantiates ways to enhance the management system of the enterprise. Managing an enterprise system is a complex process that requires meticulous planning, execution, and maintenance to effectively align with the strategic goals of the enterprise. From collecting detailed requirements to developing adaptive system architecture, each phase builds on the previous one, creating a robust structure that supports all aspects of enterprise management. This comprehensive approach not only optimizes operational processes but also improves decision-making capabilities, increases efficiency, and facilitates organizational growth.

The research highlights the enterprise's strengths, such as brand reputation, precise market positioning, and strong financial capabilities, and points out weaknesses, including a high level of corporate debt and financial strain in cash flows. The application of comprehensive analysis, including SWOT and PEST methodologies, provides a detailed assessment of the internal and external environments of the enterprise. The study also utilizes the Analytical Hierarchy Process (AHP) to assess the weight of various financial risk indicators, establishing a solid foundation for analyzing the financial health of the enterprise based on financial risk assessment and the use of preventive measures. Additionally, this rigorous analytical approach facilitates the development of targeted strategies that proactively address identified risks, enhancing the resilience and adaptability of the enterprise. By integrating these methodologies, the research not only pinpoints critical areas for improvement but also maps out strategic directions that can lead to enhanced operational efficiency and financial stability.

The results reveal significant fluctuations in net cash flows, investment activity, and solvency indicators, indicating the need for improvements in cash flow management and investment planning. The research proposes several risk-reduction strategies for Nanning Red Sun Real Estate Company, including enhancing project planning, improving cash flow management, diversifying investment portfolios, and implementing technological innovations. These measures aim to strengthen the company's financial foundation, ensure its sustainable development, and increase its competitiveness in the real estate market. Quantitatively measured improvements in key performance indicators underscore the effectiveness of these strategies, demonstrating the enterprise's ability to adapt and thrive in a dynamic economic environment.

Keywords: real estate, optimization, strategic measures, enterprise management, financial risk.

АНОТАЦІЯ

Дінг Гуоджі. Удосконалення системи управління підприємством: фінансові ризики та превентивні заходи ріелторської компанії.

Кваліфікаційна робота зі спеціальності 073 «Менеджмент» ОП «Адміністративний менеджмент», СНАУ, Суми-2024 р. – Рукопис.

В кваліфікаційній роботі розглянуто методичні і практичні рекомендації щодо удосконалення системи управління підприємством, здійснено теоретико-методичне дослідження системи управління підприємством, проведено аналіз системи управління підприємства, визначено та обґрунтовано шляхи удосконалення системи управління підприємством.

Система управління підприємством є складним процесом, що вимагає ретельного планування, виконання та підтримки для ефективного досягнення стратегічних цілей підприємства. Починаючи зі збору детальних вимог і до створення адаптивної архітектури системи, кожна фаза побудована на основі попередньої, створюючи міцну структуру, яка підтримує всі аспекти управління підприємством. Такий комплексний підхід не лише оптимізує операційні процеси, але й покращує можливості для прийняття рішень, підвищує ефективність і сприяє розвитку підприємства.

Дослідження висвітлює сильні сторони підприємства, такі як репутація, точне позиціонування на ринку та сильні фінансові можливості, а також вказує на слабкі сторони, як-от високий рівень корпоративного боргу та напруженість у грошових потоках. Застосування комплексного аналізу, включаючи методології SWOT і PEST, забезпечує детальну оцінку внутрішнього та зовнішнього середовищ підприємства. У дослідженні також було використано аналітичний ієрархічний процес (АНР) для оцінювання ваги різних індикаторів фінансових ризиків, створюючи міцну основу для аналізу фінансового здоров'я підприємства, що базувалося на основі оцінки фінансових ризиків та використанні превентивних заходів.

За результатами дослідження виявлено значні коливання в чистих грошових потоках, інвестиційній активності та показниках платоспроможності, що вказує на необхідність вдосконалення управління грошовими потоками та планування інвестицій. Тому у дослідженні було запропоновано ряд стратегій, зменшення ризиків для компанії Nanning Red Sun Real Estate Company, що включають покращення планування проектів, удосконалення управління грошовими потоками, диверсифікацію інвестиційних портфелів та впровадження технологічних інновацій. Ці заходи мають на меті зміцнення фінансової основи компанії, забезпечення її стійкого розвитку та підвищення конкурентоспроможності на ринку нерухомості. Піддані кількісному вимірюванню покращення ключових показників ефективності підкреслюють ефективність цих стратегій, демонструючи здатність підприємства адаптуватися та процвітати в динамічному економічному середовищі.

Ключові слова: нерухомість, оптимізація, стратегічні заходи, управління підприємством, фінансовий ризик.

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INTRODUCTION

Topic relevance. The real estate industry is characterized by its policy-driven nature, fixed immobility, significant influence from geographical environments, high asset-liability ratios, and a lengthy industrial chain with strong interdependencies. From a macroeconomic perspective, while the real estate sector has a straightforward compositional relationship with the national economy, it also possesses deeper, more intricate internal connections. Recent years have seen heightened financial risks in the real estate sector due to the pandemic's impact, economic decline, and turbulent internal and external environments. For enterprises to thrive and for the real estate industry to develop stably and positively, it is imperative that real estate companies enhance their abilities to identify, assess, and manage financial risks. This proactive approach to risk management will help avoid potential financial pitfalls amid uncertain changes and further stimulate the rapid development of the national economy.

Questions related to improving the management system of the enterprise were investigated by such scientists as Aliroeva Z.R., Bagaeva A.I., Deng J., Han Y., Idobayeva A., Li X., Liu X., Rui Q., Shardanovna S.K., Wanxin X., Xu H. and other, but despite the large number of publications on the topic, this issue needs more extensive research in a question of creating preventive measures for financial risks of a real estate company.

The purpose of the master's work is to study methods and models of improving the management system of the enterprise in a question of financial risks and preventive measures.

According to a particular purpose, the important objectives of this work are:

- to study theoretical and scientific methodical foundations of the management system of the enterprise;
- to analyze management system of the enterprise;
- to consider and identify ways to improve the management system of the enterprise.

The object of the study is the management system of Nanning Red Sun Real Estate Company.

The subject of the study is conditions of management system of real estate company.

Research methods. The following research methods were used in the work: observation, comparison, analysis and generalization of empirical data (to pose a problem and determine the extent of its research); methods of economic analysis (for analysis of elements of the institution's image and its comprehensive assessment); graphic method (to illustrate the dynamics of the investigated indicators, as well as the conclusions of the conducted research).

Elements of scientific novelty. The scientific novelty of the conducted research consists in determining and justifying the influence of implementation of financial risk management for the improving the management system of the enterprise.

The practical significance of the obtained results: proposed directions for enhancing the management system with preventive measures for financial risks are recommended for implementation in the operations of Nanning Red Sun Real Estate Company.

Approbation of the results. The scientific provisions of the main research results, conclusions and recommendations were reported and received a positive evaluation at the Scientific and practical conference of teachers, graduate students and students of the Sumy NAU (Sumy, May 14-16, 2024) and in V International Scientific and Practical Conference «Perspectives of Contemporary Science: Theory and Practice» (Lviv, June 24-26, 2024).

Publications. The main provisions of the qualification work were published in 2 theses of scientific conferences.

Structure and scope of work. The qualification work consists of an introduction, three sections, conclusions and proposals, a list of used sources from 27 titles, appendices. The main text is laid out on 72 pages of computer text, the work contains 24 tables, 13 figures, 2 appendices.

CHAPTER 1

THEORETICAL AND SCIENTIFIC METHODOLOGICAL FOUNDATIONS OF THE MANAGEMENT SYSTEM OF THE ENTERPRISE

In the evolving landscape of business management, the theoretical and scientific methodological foundations form the bedrock of effective enterprise management systems. These foundations provide a structured approach, integrating both classical theories and contemporary innovations to guide decision-making and strategic planning. Central to this framework is the alignment of management practices with scientific principles, ensuring that methodologies are not only theoretically sound but also empirically validated. Moreover, this approach facilitates a systematic evaluation of organizational dynamics and the adaptation to rapidly changing business environments.

The Enterprise Management System (EMS) is a comprehensive framework consisting of rules and managerial processes designed to streamline and regulate the internal operations and management tasks within an enterprise. It forms the core of internal governance and is a crucial tool for ensuring both the effectiveness and the legal compliance of business activities. This system is designed to optimize efficiency, enforce compliance, and manage risk within an enterprise by standardizing processes across various departments. Also the system encompasses a variety of internal management guidelines, procedures, and practices that dictate how core and supportive activities are executed within the organization.

The EMS ensures that every aspect of the business is aligned with its strategic goals, facilitating better decision-making and more effective resource management. Management procedures focus on the detailed operational steps and criteria for key business functions, while management practices offer specific rules for managing and executing particular issues [3 p. 10, 11 p.42].

In total, an EMS is a comprehensive set of processes and tools that assists businesses in managing their operational, financial, and strategic functions.

The Enterprise Management System plays a pivotal role in fostering the development and ensuring the long-term stability of a company. Its significance is evident in several key areas:

First, the Enterprise Management System delineates clear roles and responsibilities for employees, promoting orderly execution of tasks. With precise rules and regulations in place, employees gain a clear understanding of their job duties and expectations, which helps mitigate issues like shirking responsibilities and inefficiencies, ultimately boosting productivity and execution.

Second, it standardizes employee conduct, maintaining organizational order and stability. By setting boundaries on behaviors, the system prevents employees from overstepping their roles or violating company policies, thus protecting the organization's interests and maintaining stability. Additionally, it plays a crucial role in deterring corruption and inappropriate actions, thereby enhancing the company's integrity and reputation.

Third, the system enhances operational efficiency and raises the management caliber within the company. By streamlining and standardizing various management activities, the system reduces costs and minimizes risks associated with management practices, while also improving overall efficiency. It also provides clear guidance and oversight, enabling managers at all levels to better understand their roles and effectively contribute to achieving the company's objectives and mission.

Fourth, the Enterprise Management System boosts employee engagement and career development prospects. Its fairness and rationality offer a stable and supportive working environment, which fosters employee loyalty and responsibility. Moreover, it establishes clear and transparent pathways for career advancement, encouraging employees to pursue their career goals in a structured and equitable manner, which in turn enhances their motivation and commitment to the company [18 p. 190, 21 p.30, 23].

The Enterprise Management System is characterized by specific features as outlined in Table 1.1.

Table 1.1 - The Specific Features of the Enterprise Management System

Specific Feature	Characteristic
Standardization	The Enterprise Management System establishes clear norms that set specific standards and directives for the actions of different departments and employees across the organization
Consistency	Serving as a fundamental framework, the Enterprise Management System ensures consistent management practices are applied throughout all levels of the enterprise, applicable to every department and employee
Practicality	It is essential for the Enterprise Management System to be practical and executable, providing guidance that fosters the actual execution of tasks
Value-driven	The system should align with the core values and strategic objectives of the organization, embodying the long-term interests and aspirations of the enterprise
Evolutionary	The Enterprise Management System is an evolving framework that necessitates ongoing updates and enhancements to keep pace with both internal and external changes
Integration	The Enterprise Management System integrates various management tools and processes, creating a cohesive infrastructure that supports efficient decision-making and resource allocation across the enterprise
Transparency	The system promotes transparency in operations and decision-making, facilitating clear communication and accountability within the organization
Flexibility	While maintaining core standards and procedures, the Enterprise Management System allows for flexibility to adapt to specific situations and unique challenges, ensuring relevance and effectiveness in diverse operational contexts
Scalability	The system is designed to scale with the growth of the enterprise, supporting expansion and adaptation without compromising on performance or efficiency
Technology-driven	Leveraging modern technology, the Enterprise Management System automates and optimizes processes, enhancing accuracy and speed in operations and reducing manual errors

Source: Systemized by author from [8 p. 12, 10 p. 152, 15 p. 35]

The Enterprise Management System is a comprehensive framework designed to optimize the efficiency and effectiveness of organizational operations. This system is built upon several foundational components, including methodology, structure, process, and management technology. Each of these elements plays a crucial role in shaping the way the organization functions and achieves its strategic objectives. To provide a clearer understanding of how these components integrate and function within the system, they are detailed visually in Figure 1.1.

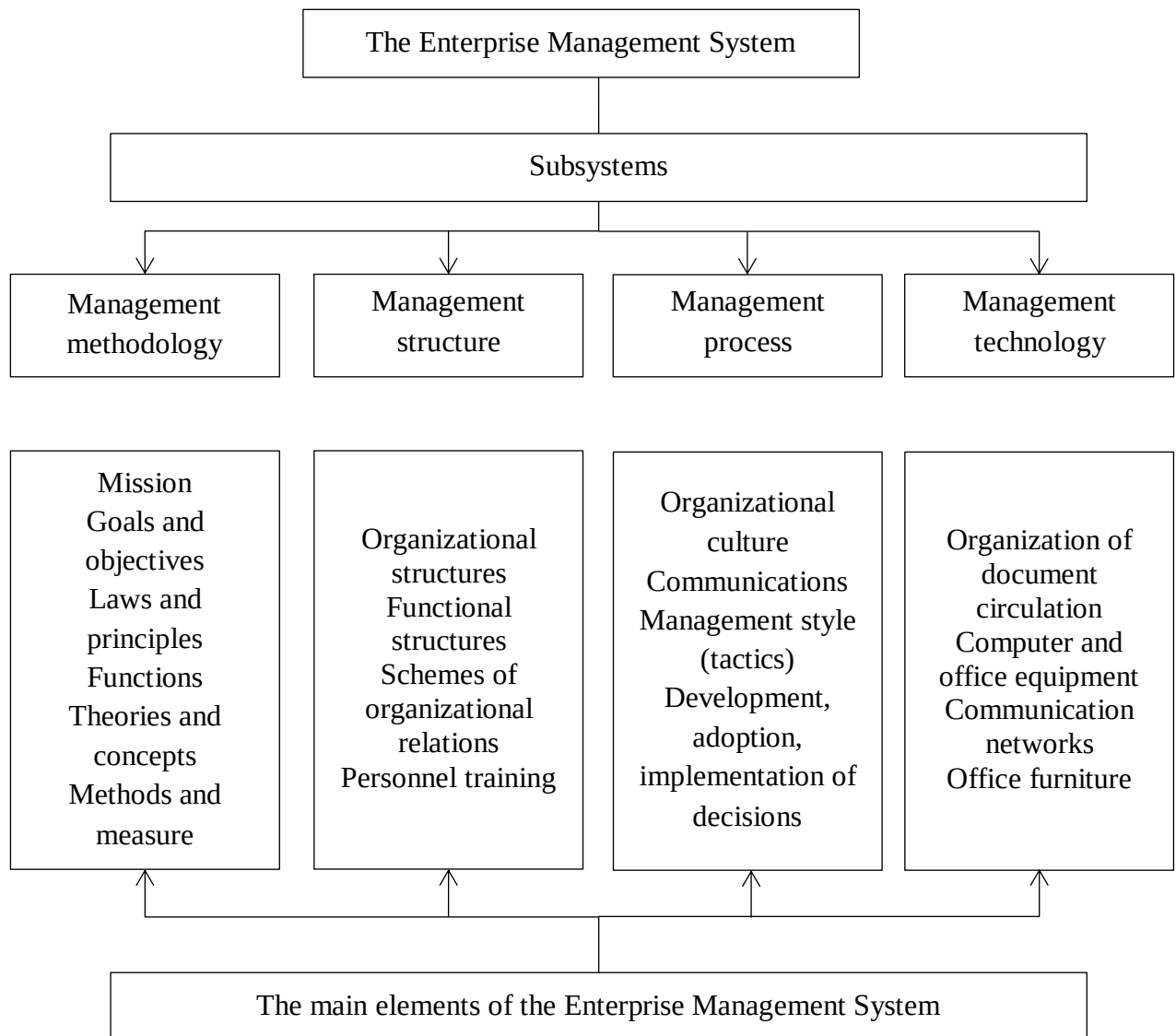


Figure 1.1 - The elements of the Enterprise Management System

Source: Systemized by author from [1, 13 p. 60, 27 p. 15]

Management methodology within an EMS involves the strategic application of business theories and models that guide the planning and execution of enterprise objectives.

Management structure refers to the organizational layout that dictates how different departments and teams are arranged and how they interact within the enterprise.

Management process involves the specific operational procedures and workflows that are established to ensure the smooth functioning of the enterprise. They cover

everything from production workflows and quality control to human resources management and customer service.

Management technology encompasses the tools and systems used to implement and maintain the EMS. These technologies enable the collection, analysis, and dissemination of information, supporting better decision-making and more efficient resource management [4 p. 352, 9 p. 109].

Principles of Enterprise Management System encompass a set of strategic guidelines and practices that are crucial for effectively managing contemporary businesses. These principles are designed to enhance the efficiency, adaptability, and competitiveness of an enterprise in a rapidly changing business environment.

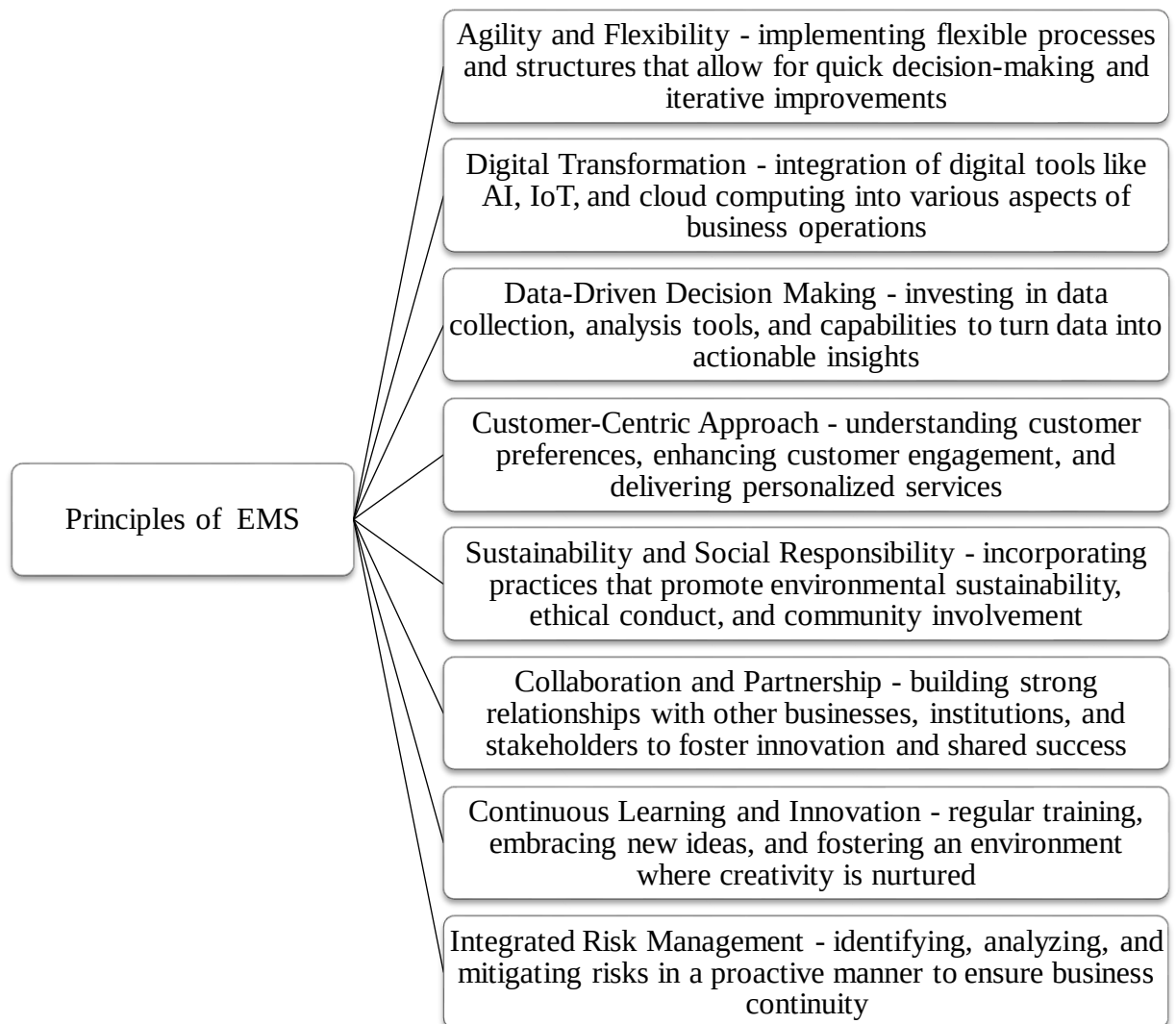


Figure 1.2 - The Modern Principles of Enterprise Management System

Source: Systemized by author from [20 p. 128, 25]

We will consider modern principles of Enterprise Management System using Figure 1.2. These principles reflect a holistic approach to enterprise management, emphasizing the need for organizations to be proactive, resilient, and forward-thinking in their management strategies.

The classification of Enterprise Management Systems (EMS) can be broadly divided into several categories based on their functionality, scope, and the specific areas they manage within an enterprise (Figure 1.3).

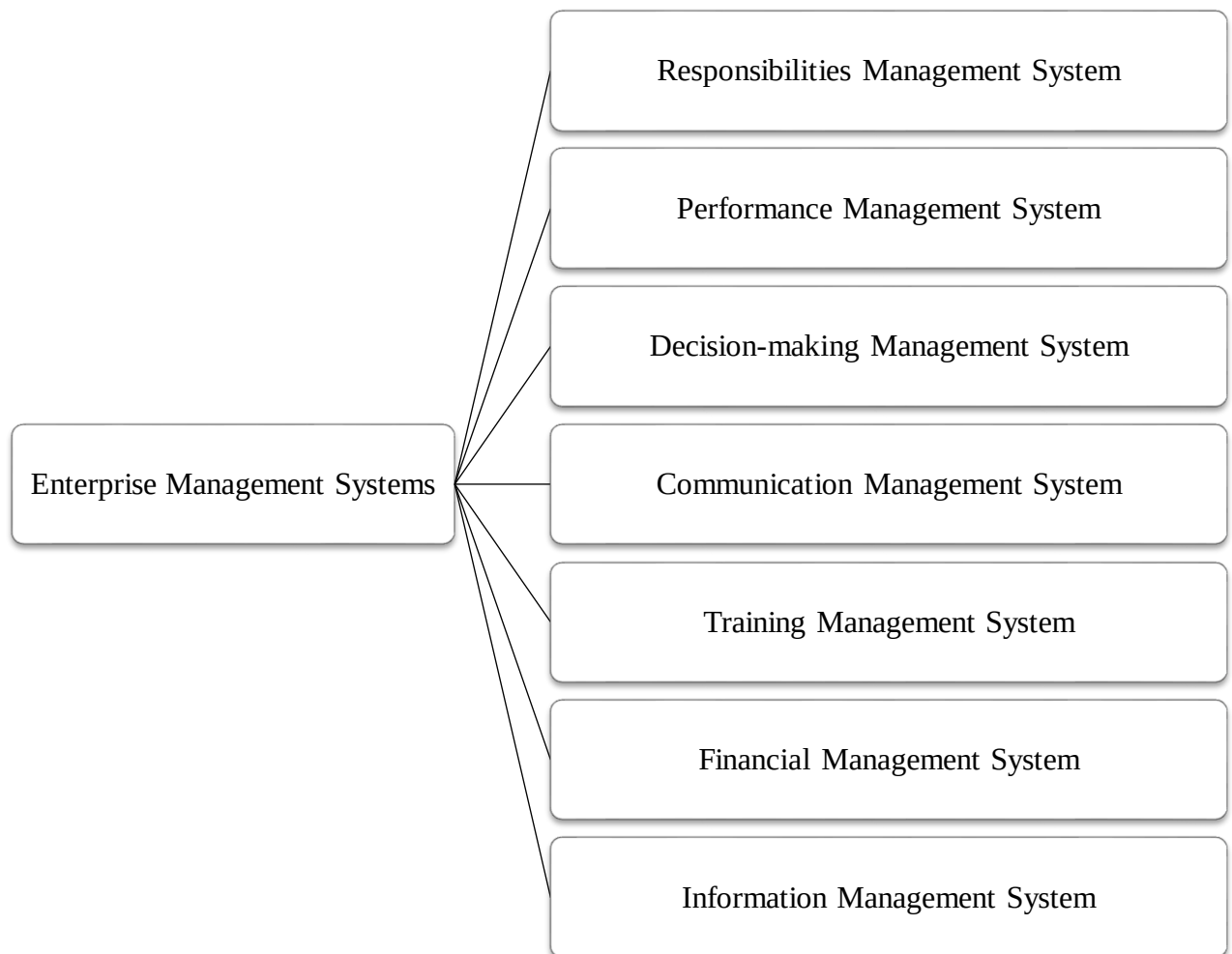


Figure 1.3 -The Classification of Enterprise Management Systems

Source: Systemized by author from [12, 20 p. 63, 25]

1. Responsibilities Management System: This system delineates the rights, duties, and workflows of different functional departments and roles within the organization. It encompasses the assignment of responsibilities, authorization of activities, and the

establishment of workflows. By implementing this system, enterprises can clarify the roles and authorities of various departments and positions, enhancing coordination and operational efficiency.

2. Performance Management System: This system sets up the mechanisms for evaluating and rewarding the performance of employees within the organization. It involves defining performance metrics, devising evaluation techniques, setting up reward structures, and providing feedback on performance outcomes. Through this system, enterprises can objectively assess employee performance, foster motivation, and elevate overall productivity.

3. Decision-Making Management System: This system organizes the decision-making process and protocols within the organization. It specifies the flow of decision-making, assigns decision-making authority, identifies participants, and outlines other relevant details. Implementing this system ensures that decision-making is both scientific and rational, which enhances the efficiency and quality of outcomes.

4. Communication Management System: This system establishes the channels and protocols for internal communication within the organization. It involves setting up communication channels, choosing appropriate communication methods, and determining the frequency and content of communications. With this system in place, enterprises can boost collaboration, share information effectively, and enhance problem-solving capabilities across departments, thereby improving efficiency and team unity [6 p. 106, 12].

5. Training Management System: This system designs and implements training programs within the organization. It includes conducting needs assessments, creating training schedules, executing training initiatives, and evaluating the effectiveness of the training. Through this system, enterprises can develop the professional skills and competencies of their employees, helping them to keep pace with market demands and supporting the company's growth objectives.

6. Financial Management System: This system manages the financial operations and standards for financial reporting within the organization. It encompasses budgeting, cost control, preparation of financial statements, and financial analysis. By employing

this system, enterprises can standardize financial operations, enhancing the accuracy and timeliness of financial reporting and decision-making.

7. Information Management System: This system manages the collection, storage, and dissemination of information within the organization. It includes setting up channels for information collection, designing data storage and management systems, and determining methods for information dissemination. With this system, enterprises can enhance information sharing and utilization, improving the foundation and effectiveness of decision-making processes [7 p. 143, 16 p. 152].

To ensure the development of a reliable Enterprise Management System (EMS), several key factors must be considered. First, a thorough understanding of the organization's needs and processes is essential to tailor the EMS accordingly. This involves extensive consultation with stakeholders across various departments to capture all functional requirements accurately. Second, choosing the right technology and platform is crucial, as this forms the backbone of the EMS. This technology must be scalable, secure, and compatible with existing systems within the organization.

Additionally, integrating best practices in project management and software development, such as Agile methodologies, can help in managing the development process efficiently and responsively. It's also important to prioritize data security and compliance, especially in industries with strict regulatory requirements. Continuous testing and validation processes should be embedded throughout the development phase to ensure the system functions as intended under various scenarios.

Training and change management are also essential to facilitate a smooth transition to the new system. Employees must be adequately trained on the functionalities of the EMS to ensure maximum adoption and minimal disruption to daily operations. Finally, ongoing support and maintenance post-implementation will help to address any emerging issues promptly and adapt the system to evolving business needs or technological advancements [8 p. 9, 12, 18 p. 186].

The development of an Enterprise Management System (EMS) includes several key stages, each essential for ensuring the system's effectiveness and its alignment with business objectives (Figure 1.4).

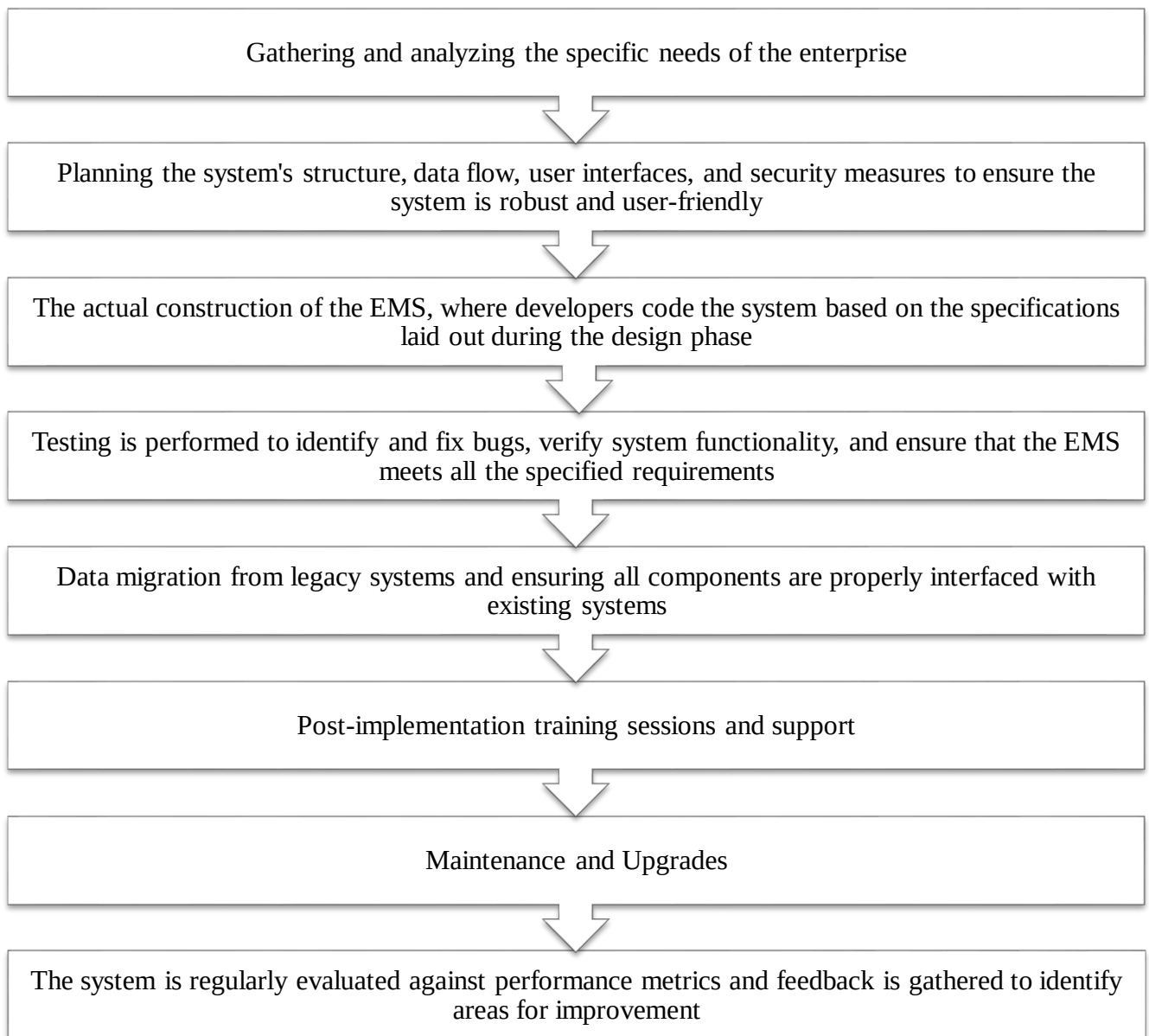


Figure 1.4 - Stages of Developing of Enterprise Management Systems

Source: Systemized by author from [1, 3 p. 10]

Following these stages methodically ensures the development of a reliable and efficient Enterprise Management System tailored to the specific requirements and dynamics of the organization.

In conclusion, the development of an Enterprise Management System (EMS) is a multifaceted process that requires careful planning, execution, and maintenance to align with an organization's strategic objectives effectively. From gathering detailed requirements to designing responsive system architecture, each phase is designed to build upon the previous, ensuring a robust framework that supports all aspects of

enterprise management. This comprehensive approach not only streamlines operations but also enhances decision-making capabilities, improves efficiency, and fosters organizational growth.

Moreover, an effective EMS integrates advanced management methodologies and technologies that facilitate improved communication, performance management, and operational control across various departments. By reinforcing standards and practices, the system helps maintain organizational order and discipline, thereby enhancing overall enterprise integrity and reputation.

As businesses continue to evolve and face new challenges, the EMS must adapt through continuous updates and optimizations. This adaptability ensures that the system remains relevant and continues to provide value in a dynamic business environment. Ultimately, the success of an EMS hinges on its ability to integrate seamlessly with the enterprise's operations and to evolve in response to both internal changes and external pressures. This ongoing process not only safeguards the enterprise's assets but also ensures its long-term sustainability and success.

CHAPTER 2

ANALYSIS OF MANAGEMENT SYSTEM OF THE NANNING RED SUN REAL ESTATE COMPANY

2.1 General Organizational and Economic Characteristics of the Enterprise

Nanning Red Sun Real Estate Company was established in 2009 and is a privately-owned enterprise with a registered capital of 120 million Yuan. The company operates strictly in accordance with relevant national laws and regulations, with a sound corporate governance structure and clear board of directors, board of supervisors, and management framework. Its corporate goal is to build modern, quality, complete, and convenient residential communities. The company boasts a pioneering management team and a united and professional staff. Currently, the company is making preparations for listing and plans to seek new development opportunities by financing through listing.

With the keen attention and strong support of the district government, after years of hard work and dedication, Nanning Red Sun Real Estate Company has developed into a large-scale conglomerate enterprise with diversified operations, focusing on real estate, property management, concrete engineering, landscaping, municipal engineering, and new thermal insulation material research and development, with real estate business as its core. Red Sun Real Estate Company has successively developed various residential projects, including Red Sun River View, Red Sun River Mount, Red Sun River Mount Community, Red Sun Academic Community, and Red Sun Mansion.

Nanning Red Sun Real Estate Company implements a president responsibility system under the leadership of the chairman. The company currently has eight functional departments, including the President's Office, Investment Development Department, Finance Department, Engineering Department, Budget Department, Design Department, Sales Department, and Administrative Department [17].

The volumes of assets refer to the quantity and composition of resources owned by an entity, typically categorized into current and non-current assets. This characterization encompasses the total value and distribution of tangible and intangible assets, including cash, inventory, property, equipment, investments, and intellectual property. Using the data in Table 2.1, the composition of Nanning Red Sun Real Estate Company's assets was investigated.

Table 2.1 - Volumes of Nanning Red Sun Real Estate Company's assets, thous. Yuan

Assets	2021	2022	2023	Deviation 2023-2021, +/-
Cash received from the recovery of an investment	463688,7	85644,6	764102	300413,3
Cash received from investment income	390316,4	595665	688363,8	298047,4
Net cash recovered from disposal of fixed assets, intangible assets, investment real estate and other long-term assets	6231	6357,1	7783,4	1552,4
Dispose of net cash received by subsidiaries or other business units	470405	361011,2	163940,5	-306464,5
Other cash received relating to investing activities	15393566,3	16100677	292409,2	-15101157,1
Subtotal of cash inflows from investing activities	1188570,1	2322162,2	1916599,6	728029,5
Cash paid for the purchase and construction of fixed assets, intangible assets, investment premises and other long-term assets	1725790,4	589981,8	1282670,6	-443119,8
Cash paid for investments	1725790,4	589981,8	1282670,6	-443119,8
Cash paid for investments	1293728,4	1525005,9	1015829,8	-277898,6
Obtain net cash paid by subsidiaries and other business units	414333,5	1724279	877353,1	463019,6
Other cash paid relating to investing activities	47833,2	59662,7	43773,3	-4059,9
Subtotal of cash outflows from investing activities	2476725	4266738,4	3219626,8	742901,8
Net cash flows from financing activities	579706,7	-2628078,6	-1303027,1	-1882733,8

Source: Author's own research

The analysis of the asset table 2.1 reveals that cash received from the recovery of an investment increased from 463688.7 thousand Yuan in 2021 to 764102 thousand Yuan in 2023, resulting in a positive deviation of 300413.3 thousand Yuan. Similarly, cash received from investment income rose from 390,316.4 thousand Yuan in 2021 to 688363.8 thousand Yuan in 2023, showing a positive deviation of 298047.4 thousand Yuan. Net cash recovered from the disposal of fixed assets, intangible assets, investment real estate, and other long-term assets also increased by 1552.4 thousand Yuan over the period.

On the other hand, the disposal of net cash received by subsidiaries or other business units decreased significantly, with a negative deviation of 306464.5 thousand Yuan. Additionally, other cash received relating to investing activities saw a substantial decline from 15393566.3 thousand Yuan in 2021 to 292409.2 thousand Yuan in 2023, resulting in a significant negative deviation of 15101157.1 thousand Yuan. The subtotal of cash inflows from investing activities, however, showed a positive deviation of 728029.5 thousand Yuan, increasing from 1188570.1 thousand Yuan in 2021 to 1916599.6 thousand Yuan in 2023.

Cash paid for the purchase and construction of fixed assets, intangible assets, investment premises, and other long-term assets decreased from 1725790.4 thousand Yuan in 2021 to 1282670.6 thousand Yuan in 2023, indicating a negative deviation of 443119.8 thousand Yuan. Similarly, cash paid for investments also showed a decline, resulting in a negative deviation of 443119.8 thousand Yuan. However, net cash paid by subsidiaries and other business units increased by 463019.6 thousand Yuan during the period.

The subtotal of cash outflows from investing activities showed a positive deviation of 742901.8 thousand Yuan, decreasing from 2476725 thousand Yuan in 2021 to 3219626.8 thousand Yuan in 2023. Net cash flows from financing activities experienced a significant decline, with a negative deviation of 1882733.8 thousand Yuan, indicating a substantial reduction in financing activities over the period.

The volumes of liabilities represent the financial obligations of a company, encompassing both short-term and long-term debts. These liabilities are critical

indicators of the Nanning Red Sun Real Estate Company's financial health and its ability to meet its obligations. Analyzing the trends in liabilities over time helps in understanding the company's leverage and risk exposure. These aspects will be thoroughly examined in Table 2.2.

Table 2.2 - Volumes of Nanning Red Sun Real Estate Company's liabilities, thous. Yuan

Liabilities	2021	2022	2023	Deviation 2023-2021, +/-
Total assets	186917709,4	193863813	175712444,4	-11205265
Total liabilities	151933262	154586535	135213293,8	-16719968
Monetary fund	19523072,3	14935244	13720763,5	-5802309
Interest bearing liabilities	24540980,4	25539034	22356031,2	-2184949

Source: Author's own research

The total assets of the company decreased significantly from 186917709.4 thousand Yuan in 2021 to 175712444.4 thousand Yuan in 2023, marking a negative deviation of 11205265 thousand Yuan. Similarly, total liabilities also showed a significant decrease, falling from 151933262 thousand Yuan in 2021 to 135213293.8 thousand Yuan in 2023, resulting in a negative deviation of 16719968 thousand Yuan.

The monetary fund, which represents the liquid assets available to the company, decreased from 19523072.3 thousand Yuan in 2021 to 13720763.5 thousand Yuan in 2023, indicating a substantial reduction of 5802309 thousand Yuan. Interest-bearing liabilities also saw a decrease over this period, dropping from 24540980.4 thousand Yuan in 2021 to 22356031.2 thousand Yuan in 2023, showing a negative deviation of 2184949 thousand Yuan.

Overall, the analysis of the table indicates that the company's financial position has experienced notable declines in both assets and liabilities over the analyzed period. This suggests a reduction in both the resources available to the company and its financial obligations, which may reflect strategic adjustments or operational challenges faced by the company.

The volumes of financial results provide a comprehensive overview of a company's financial performance over a specific period. These metrics typically include revenue, expenses, profits, and other key financial indicators that reflect the company's economic health and operational efficiency. Understanding these results helps stakeholders assess profitability, growth potential and overall financial stability. The detailed analysis of these financial results for Nanning Red Sun Real Estate Company will be presented in Table 2.3.

Table 2.3 - Volumes of Nanning Red Sun Real Estate Company's financial results

Financial results	2021	2022	2023	Deviation 2023-2021, +/-
Long-term equity investments, thous. Yuan	0.14	0.13	0.15	2,8
Increase or decrease margin, %	8.75	-8.74	11.56	-94,2
Investment income, thous. Yuan	135.1	66.1	40.9	-209,2
Increase or decrease margin, %	171.1	-51.07	-38.1	-264,1
Net profit, thous. Yuan	409.8	249.5	145.7	-4,9
Investment income/net profit, %	32.97	26.49	28.07	2,8

Source: Author's own research

The financial results of Nanning Red Sun Real Estate Company for the years 2021 to 2023 show significant fluctuations in key performance indicators. Long-term equity investments saw a slight increase from 0.14 thousand Yuan in 2021 to 0.15 thousand Yuan in 2023, showing a positive deviation of 0.01 thousand Yuan. The margin for these investments showed variability, with an 8.75% increase in 2021, a significant decrease of 8.74% in 2022, followed by an increase of 11.56% in 2023, resulting in a net positive deviation of 2.8%.

Investment income significantly declined from 135.1 thousand Yuan in 2021 to 40.9 thousand Yuan in 2023, marking a negative deviation of 94.2 thousand Yuan. This decline is further reflected in the percentage change in investment income, which experienced a substantial drop of 209.2% over the period, with a 171.1% increase in 2021, followed by a steep decline of 51.07% in 2022 and a further 38.1% decrease in 2023.

Net profit also decreased considerably from 409.8 thousand Yuan in 2021 to 145.7 thousand Yuan in 2023, indicating a negative deviation of 264.1 thousand Yuan. The ratio of investment income to net profit demonstrated some fluctuation, decreasing from 32.97% in 2021 to 26.49% in 2022, and then slightly increasing to 28.07% in 2023, resulting in a net negative deviation of 4.9%.

Overall, the analysis indicates a downward trend in the company's financial performance over the three-year period, with significant declines in investment income and net profit, despite a slight increase in long-term equity investments.

The dynamics of the average registered number of employees at Nanning Red Sun Real Estate Company over the years indicate trends in workforce stability and growth. Understanding these dynamics is crucial for evaluating the company's capacity to sustain operations and support its business activities. Analyzing the employee numbers provides insights into the company's employment policies and economic health. The average registered number of employees for the years 2021 to 2023 will be analyzed in Table 2.4.

Table 2.4 - Dynamics of the average registered number of employees in Nanning Red Sun Real Estate Company

Indexes	2021	2022	2023	Deviation 2023-2021, +/-
Average registered number of employees, total, persons	306	405	527	90
1 worker worked days, on average	6	6	6	-
Labor compensation fund Unit, Yuan	450	450	450	-
Average annual salary of 1 worker Unit, thous. Yuan	90	110	120	30

Source: Author's own research

In 2023, the number of employees of Red Sun Real Estate Company increased from 306 in 2021 to 527, showing that Red Sun Real Estate Company has maintained a counter-trend expansion in the downturn of the industry. Due to the prominent hierarchy of compensation levels in the real estate industry, there are differences in compensation levels for different positions. In Red Sun Real Estate, personal ability determines one's monthly income, and eloquence and sales ability play a significant role. Although the

turnover rate of outstanding employees in the real estate industry is high, Red Sun Real Estate Company can maintain a low employee turnover rate and ensure the stability and cohesion of the team with its good corporate culture, perfect training mechanism, and good development prospects. Since Red Sun Real Estate is a private enterprise, the company asks its employees to work six days on average for the company's future, but it also purchases five insurances and one housing fund for employees and provides a company subsidy of 450 Yuan per month for each person.

Short-term solvency indicators are essential for assessing a company's ability to meet its short-term obligations and financial health. Analyzing these indicators helps stakeholders understand the financial stability and risk associated with the company's short-term debt. The short-term solvency indicators of Nanning Red Sun Real Estate Company will be analyzed using Table 2.5.

Table 2.5 - The short-term solvency indicators of Nanning Red Sun Real Estate Company

Liabilities	2021	2022	2023	Deviation 2023-2021, +/-
Total current assets, thous. Yuan	154738706.1	160026830.7	141535638	-7776099.3
Inventory of goods, thous. Yuan	10020.6	10756.2	9070.6	-690
Quick assets, thous. Yuan	54017200.3	52457858.7	50656673.9	-1373112.6
Total current liabilities,	131749268.9	131144646.7	107780157.2	-11159364.6
Current income ratio	1.17	1.22	1.31	0.06
Quick rate of action	0.41	0.40	0.47	0.03

Source: Author's own research

The liabilities and short-term solvency indicators of the company from 2021 to 2023 show significant changes over the period. Total current assets decreased from 154738706.1 thousand Yuan in 2021 to 141535638 thousand Yuan in 2023, representing a negative deviation of 7776099.3 thousand Yuan. Inventory of goods also decreased slightly from 10,020.6 thousand Yuan in 2021 to 9070.6 thousand Yuan in 2023, with a negative deviation of 690 thousand Yuan. Quick assets experienced a

decline from 54017200.3 thousand Yuan in 2021 to 50656673.9 thousand Yuan in 2023, showing a negative deviation of 1373112.6 thousand Yuan.

On the liabilities side, total current liabilities decreased from 131749268.9 thousand Yuan in 2021 to 107780157.2 thousand Yuan in 2023, marking a significant negative deviation of 11159,364.6 thousand Yuan. The current income ratio improved slightly from 1.17 in 2021 to 1.31 in 2023, indicating a positive deviation of 0.06, reflecting better short-term financial stability. Similarly, the quick rate of action increased from 0.41 in 2021 to 0.47 in 2023, showing a positive deviation of 0.03, which indicates an improvement in the company's ability to cover its short-term liabilities with its most liquid assets.

The asset-liability and net debt ratios are critical indicators of a company's financial health and stability. These ratios provide insights into the balance between a company's assets and liabilities, as well as its reliance on debt for financing. The following analysis will examine these ratios in detail based on the data presented in Figure 2.1.

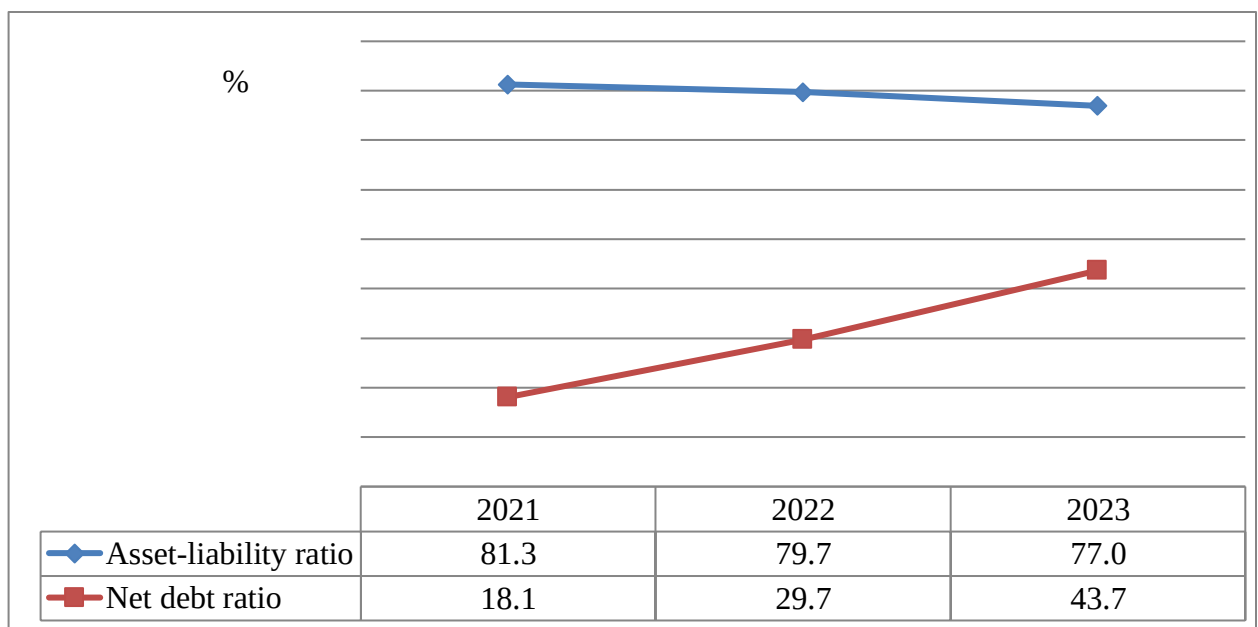


Figure 2.1 - Analysis of Asset-Liability and Net Debt Ratios of
Nanning Red Sun Real Estate Company

Source: Author's own research

The asset-liability ratio decreased from 81.3 in 2021 to 77.0 in 2023, indicating a negative deviation of 4.3. This decline suggests a reduction in the company's assets relative to its liabilities, potentially impacting its financial stability. Conversely, the net debt ratio significantly increased from 18.1 in 2021 to 43.7 in 2023, reflecting a positive deviation of 25.6. This substantial rise indicates that the company has taken on more debt relative to its equity, which could imply higher financial leverage and potential risks associated with increased debt levels.

Overall, the trends in these ratios highlight a shift in the company's financial structure, with decreasing asset coverage of liabilities and increasing reliance on debt financing.

The analysis of the Nanning Red Sun Real Estate Company's financial performance provides a comprehensive understanding of its financial health over the years. It highlights significant changes in assets, liabilities, and key financial ratios that are critical for assessing the company's stability and operational efficiency. The decrease in both total assets and total liabilities suggests a strategic realignment or challenges in maintaining asset growth. Additionally, the improvement in short-term solvency indicators like the current income ratio and quick rate of action indicates better financial stability in meeting short-term obligations. Nevertheless, the company should carefully manage its growing reliance on debt to mitigate potential risks and ensure long-term financial stability.

2.2 Analysis of Financial Risks of the Enterprise

Financial risks of an enterprise encompass the potential threats to its financial stability and profitability due to various internal and external factors. These risks can arise from fluctuations in market conditions, interest rates, currency exchange rates, and credit availability, among others. Understanding and managing these risks are crucial for ensuring the long-term sustainability and growth of the enterprise.

Cash-based funding risk refers to the risk of being unable to repay debt on time due to insufficient working capital. This risk is generally reflected through the cash

flows generated in operational activities. If an enterprise consistently generates inadequate cash flow from its core operations, it may struggle to meet its short-term obligations, leading to potential liquidity crises. Additionally, reliance on external financing to cover cash shortfalls can increase the cost of capital and heighten the enterprise's overall financial risk profile.

Table 2.6 shows the overall net cash flow of Nanning Red Sun Real Estate Company over the past three years, including operational, investment, and financing cash flows.

Table 2.6 - Cash flow statement of Nanning Red Sun Real Estate Company, thous. Yuan

Indicators	2021	2022	2023	Deviation 2023-2021, +/-
Net cash flow from operating activities	-8499	-75077	-103763	-95264
Net cash flow from investment activities	-24979	-84159	-8263	16716
Net cash flow from financing activities	65698	215268	24718	-40980

Source: Author's own research

The analysis of the table 2.6 shows significant fluctuations in the net cash flows from different activities for the years 2021 to 2023. The net cash flow from operating activities has seen a considerable decline, moving from -8499 thousand Yuan in 2021 to -103763 thousand Yuan in 2023, resulting in a negative deviation of 95264 thousand Yuan. This indicates increasing difficulties in generating sufficient cash from the core business operations. In contrast, the net cash flow from investment activities, although negative throughout the period, improved by 16716 thousand Yuan from -24979 thousand Yuan in 2021 to -8263 thousand Yuan in 2023. This suggests a reduction in cash outflows related to investments. Meanwhile, the net cash flow from financing activities decreased significantly, from 65698 thousand Yuan in 2021 to 24718 thousand Yuan in 2023, with a deviation of -40980 thousand Yuan. This reduction indicates a lesser reliance on or availability of external financing over the years.

Overall, the company faces challenges in maintaining positive cash flows, particularly from operational activities, which is critical for its financial stability.

Based on the data presented in Table 2.6, several risk groups have been identified for Nanning Red Sun Real Estate Company. These risks are critical to understanding the challenges associated with the company's cash fundraising efforts.

Nanning Red Sun Real Estate Company needs to raise \$10 million to expand its business. To achieve this, the company decides to issue bonds worth \$10 million with a coupon rate of 6% and a maturity of 5 years. However, the company must consider several risks associated with this approach:

1. Interest rate risk: If market interest rates increase, Nanning Red Sun Real Estate Company's bonds will become less attractive. For instance, if market interest rates rise to 8%, the bond price will decline, making it challenging for the company to raise the required funds.

2. Repayment ability risk: The company must ensure it has sufficient cash flow to pay off the bond principal and interest. Failure to secure enough cash could result in the company applying for deferral or defaulting on its obligations to bondholders. Insufficient cash reserves will undermine investor confidence in the company.

3. Market risk: Even if the company successfully issues the bonds, it must consider the impact of future market fluctuations. These fluctuations could lead to a decrease in bond prices or erode investor confidence in the company's future performance and plans [17, 26 p.421].

In summary, Nanning Red Sun Real Estate Company needs to carefully evaluate these risks and be prepared to address them to ensure successful fundraising and the achievement of its business expansion plans.

Investment risk refers to the potential for loss or inadequate returns on investments due to various uncertainties in the financial markets, economic conditions, or specific investment projects. Identifying these risks is crucial for managing and mitigating potential negative impacts on the financial health of an enterprise. Investment risks can stem from market volatility, changes in interest rates, economic downturns, and project-specific issues such as delays or cost overruns. For Nanning Red

Sun Real Estate Company, understanding these risks is essential to ensure informed decision-making and sustainable growth. Table 2.7 presents data from the Investment Cash Flow Status of Nanning Red Sun Real Estate Company, providing a basis for identifying and analyzing these risks.

Table 2.7 - Red Sun Real Estate Company's investment cash flow status, thous. Yuan

Indicators	2021	2022	2023	Deviation 2023-2021, +/-
Cash received from investment returns	-	21802	281	281
Net cash provided for disposal of intangible assets, real estate, plant and equipment, and other non-current asset occupation projects	9.1	3.2	491	481,9
Other cash received related to investment activities	-	3.3	-	-
Total cash inflows from investment activities	9.3	21802	764	754,7
Cash paid for the acquisition of intangible assets, property, plant and equipment, and other non-current rental projects	2645	6635	4637	1992
Cash paid for investment activities	22378	83856	3004	-19374
Net cash paid for acquiring other units	-	11302	-	-
Subtotal of cash payments related to other investment activities	-	4274	1427	1427
Total cash outflows from investment activities	25002	105963	9037	-15965
Net cash flow from investment activities	-25003	-84203	-8274	16729

Source: Author's own research

In 2021, the total cash inflows from investment activities were minimal at 9.3 thousand Yuan, with a notable increase in 2022 to 21802 thousand Yuan, primarily due to cash received from investment returns. By 2023, cash inflows decreased significantly to 764 thousand Yuan. On the other hand, cash outflows saw a substantial increase, with 25002 thousand Yuan in 2021 rising sharply to 105963 thousand Yuan in 2022, before

dropping to 9037 thousand Yuan in 2023. The large outflows in 2022 were driven by significant payments for investment activities and acquiring intangible assets. Consequently, the net cash flow from investment activities was negative throughout the period, though the deficit reduced from -25003 thousand Yuan in 2021 to -8274 thousand Yuan in 2023, indicating an improvement of 16729 thousand Yuan.

These figures underscore the company's fluctuating investment activities and the importance of managing investment risks to stabilize financial outcomes.

Based on the data presented in Table 2.7, two primary groups of risks have been identified for Nanning Red Sun Real Estate Company: investment project preparation risk and project investment loss risk. These risks are crucial in understanding the financial and operational challenges faced by the company in its investment activities. The following analysis delves into the specifics of these risks, highlighting the importance of comprehensive risk management strategies:

1. Investment project preparation risk: Generally, companies implement comprehensive planning in the early stages of developing new investment projects, including the overall development plan of the project and feasibility analysis. However, Nanning Red Sun Real Estate Company's planning capability is insufficient to address the actual conditions of the company, and its preparations in this area are inadequate. In the initial planning stages, rough estimates were made of financial and technical requirements, and a template was simply applied to the feasibility analysis without any specific contextual adaptation. From this perspective, the risk associated with preparing investment projects for Nanning Red Sun Real Estate Company is relatively high.

2. Project investment loss risk: The investment losses that occurred during the construction process of Nanning Red Sun Real Estate Company are both objective and subjective. Objectively, these losses are generally institutional risks. Macroeconomic policies of a country significantly influence the real estate industry, directly affecting its prosperity or decline. Companies must continuously monitor national macroeconomic policy guidelines and laws, and adjust their development strategies in response to policy changes to ensure the smooth execution of investment plans and achieve considerable returns. In recent years, the government has announced a series of macroeconomic

control measures for the real estate industry, but it should be noted that the real estate market is influenced by many factors, and government measures alone cannot completely resolve housing price issues. Therefore, comprehensive measures and continued supervision are necessary. Additionally, due to varying economic situations and laws in different countries and regions, specific government measures for housing prices will also differ.

Based on the above points, it is essential to conduct detailed research and understanding of the industry and market before investing, including market size, market trends, competitors, and feasibility studies of projects. This includes evaluating potential risks and returns of projects through financial analysis, market demand analysis, and technical feasibility analysis, forming a complete risk management system to achieve risk identification, risk evaluation, and risk management.

Red Sun Real Estate Company, as one of the leading enterprises in China's real estate industry, faces competition from various sources. Its competitors can be mainly divided into the following categories: Nationwide real estate enterprises in the same industry: For example, Poly Real Estate, Track property, Country Garden, and North Production City Group and so on(Figure 2.2).

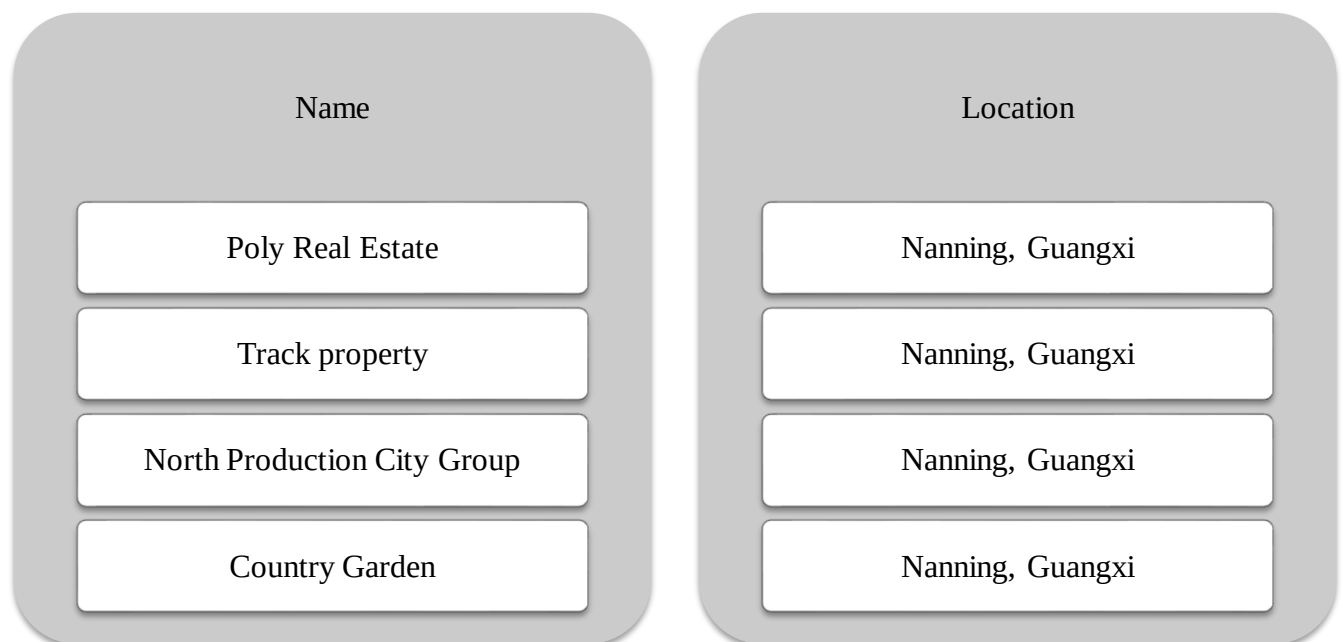


Figure 2.2 - Main competitors of Red Sun Real Estate Company

Source: Author's own research

These companies have direct competition with Nanning Real Estate Company in the real estate market. They have extensive project layouts across the country and possess strong strengths in branding, capital, and technology.

Local real estate enterprises: Such enterprises usually have strong market influence and competitiveness in their local regions. Although they may not be as well-known as Red Sun Real Estate Company nationwide, they have considerable advantages in the local market.

Enterprises from other industries entering the real estate sector: With the continuous development and changes in the real estate market, more and more companies from other industries have begun to enter the real estate sector, such as some manufacturing and financial companies. These enterprises typically possess strong financial strength and brand influence, which can bring a certain amount of competitive pressure to Red Sun Real Estate.

Operational risk refers to the risk of the difference between the company's revenue and expected profits generated by its activities. Operational risks generally arise from the sale and acceptance of the company's goods and can be measured and analyzed from accounts receivable and inventory sales. These risks are crucial as they directly impact the liquidity and profitability of the company. Effective management of accounts receivable and inventory sales is essential to mitigate these risks and ensure smooth operational performance.

The accounts receivable of Nanning Red Sun Real Estate Company, as depicted in Figure 2.3, provide valuable insights for evaluating these operational risks.

In 2021, the accounts receivable amounted to 3736 thousand Yuan. This figure significantly increased in 2022 to 47,60 thousand Yuan, indicating a substantial rise of 43,24 thousand Yuan from the previous year. The upward trend continued into 2023, with accounts receivable reaching 183431 thousand Yuan. This represents a dramatic increase of 136171 thousand Yuan compared to 2022 and a total deviation of 179695 thousand Yuan over the three-year period from 2021 to 2023.

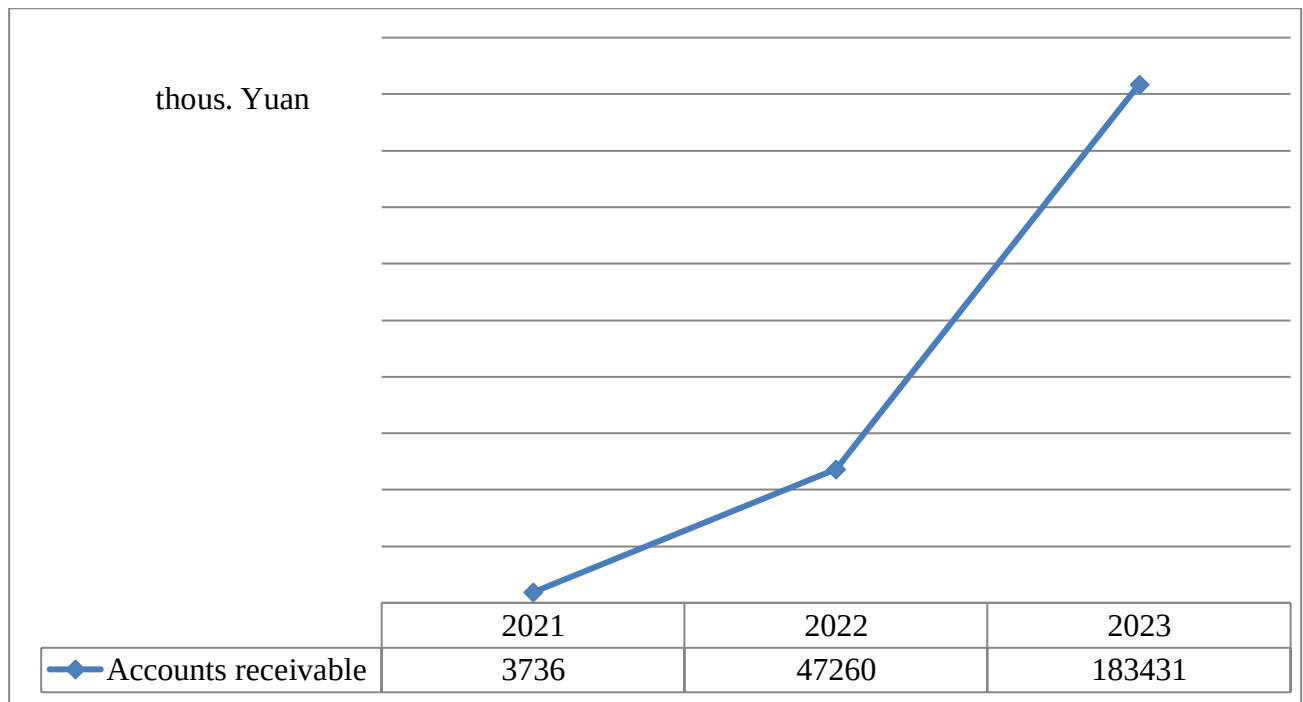


Figure 2.3 - Accounts receivable of Nanning Red Sun Real Estate Company

Source: Author's own research

This significant growth in accounts receivable highlights potential operational risks, such as increased credit sales and potential difficulties in collecting outstanding debts. Managing these rising accounts receivable effectively is crucial for maintaining liquidity and ensuring the financial stability of the company.

The accounts receivable value of Nanning Red Sun Real Estate Company has shown a linear increase from 2021 to this year. In particular, there has been a significant increase in growth from 2021 to 2023. The accounts receivable in 2022 has risen to \$183,431, accounting for 33.94% of total assets. This is mainly due to fluctuations in house prices prior to 2021, but the overall trend is upward. After adopting the pre-sales system, most people buying houses have mortgages, resulting in lower accounts receivable amounts, especially during prosperous times in the real estate industry when people even wanted to pay off their housing loans in full. However, since 2023, the government has strengthened regulation and control and replaced pre-sales with sales of existing houses. There is less enthusiasm among consumers for buying houses and fewer cases of full payment upfront, leading to a continuous decrease in the proportion of prepayments but a sharp increase in accounts receivable. Therefore, it is crucial to

analyze the turnover rate of accounts receivable to effectively improve the company's operational efficiency. The next step is to compare the accounts receivable turnover ratio of Nanning Red Sun Real Estate Company with other real estate companies over three years, as shown in Figure 2.4.

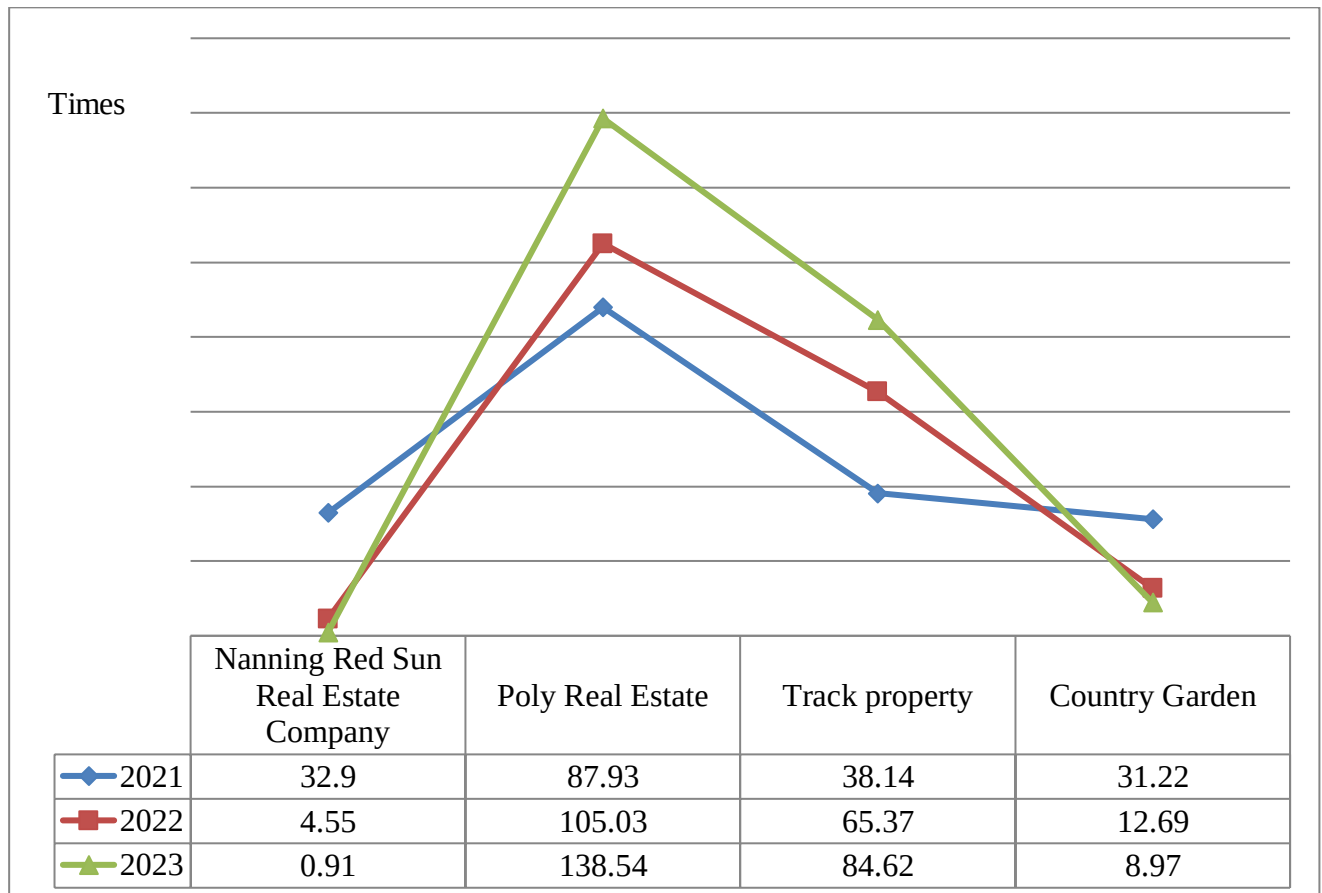


Figure 2.4 - Accounts receivable turnover rate

Source: Author's own research

It can be seen that Nanning Red Sun Real Estate Company's accounts receivable turnover ratio has a decreasing trend from 2021 to 2023. Compared to other real estate companies, Poly Real Estate and Track property companies continue to grow their turnover ratios, while Country Garden Company, although decreasing year by year, still has a significant advantage compared to Nanning Red Sun Real Estate Company. Nanning Red Sun Real Estate Company's accounts receivable are tending to increase significantly. In contrast, the turnover ratio of accounts receivable has decreased

significantly. There is a high possibility that the accounts receivable may not be collected on time, which will eventually lead to financial difficulties for the company.

The inventory turnover ratio is a good indicator of the authenticity of inventory. Generally, this indicator can be used to measure a company's activity level and determine and identify the financial risks the company faces in this regard, as shown in Figure 2.5.

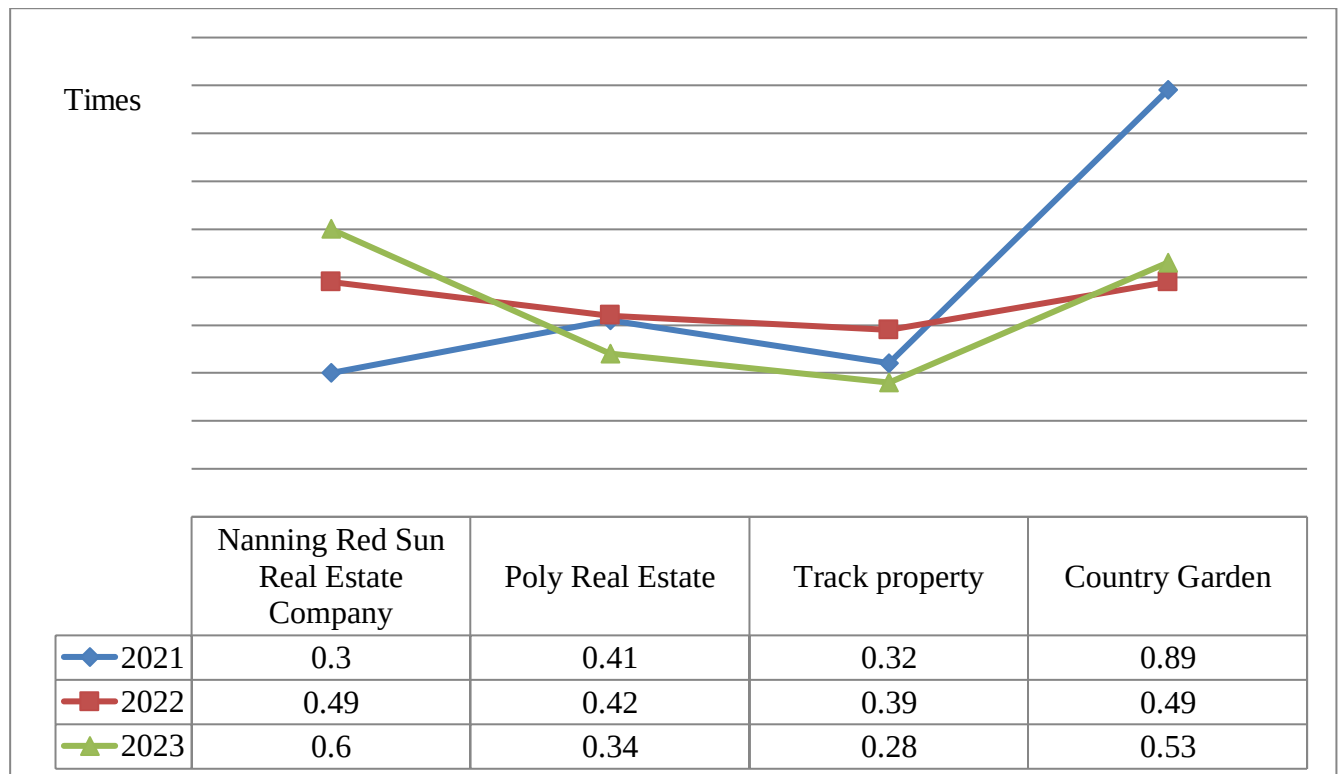


Figure 2.5 - Inventory turnover rate

Source: Author's own research

For Nanning Red Sun Real Estate Company, the financial ratio increased from 0.3 in 2021 to 0.49 in 2022 and further to 0.6 in 2023, showing a total positive deviation of 0.3 over the three-year period. This upward trend indicates improving financial health or performance over time. Poly Real Estate, on the other hand, showed a more stable but slightly declining trend. The ratio was 0.41 in 2021, slightly increased to 0.42 in 2022, and then dropped to 0.34 in 2023, resulting in a negative deviation of -0.07. This suggests a slight deterioration in financial performance. Track Property had a ratio of 0.32 in 2021, which increased to 0.39 in 2022 but then fell to 0.28 in 2023. This

indicates a fluctuation with an overall negative deviation of -0.04, suggesting some instability in financial performance over these years. Country Garden exhibited the most volatility among the companies. The ratio was high at 0.89 in 2021 but dropped significantly to 0.49 in 2022 and slightly recovered to 0.53 in 2023. This resulted in a substantial negative deviation of -0.36, indicating significant financial challenges or changes in their financial performance during this period.

Overall, Nanning Red Sun Real Estate Company shows the most consistent improvement among the compared companies, whereas the others display varying degrees of performance volatility and decline.

The analysis of financial risks for Nanning Red Sun Real Estate Company reveals several critical areas of concern and improvement over the past three years. The company's operational risks have been highlighted by significant fluctuations in accounts receivable, indicating potential challenges in managing credit sales and collecting outstanding debts. Investment risks are evident through the substantial variations in cash flows from investment activities, reflecting the importance of careful planning and risk management in project investments. Furthermore, cash-based funding risks emphasize the necessity for maintaining adequate working capital to meet short-term obligations and avoid liquidity crises. Compared to other real estate companies, Nanning Red Sun Real Estate Company has shown consistent improvement in certain financial ratios, despite the volatility faced by its competitors.

2.3 Analysis of Preventive Measures of the Enterprise

Preventive measures are essential for Nanning Red Sun Real Estate Company to mitigate the financial risks identified in the previous analysis. By implementing strategic actions and robust risk management practices, the company can safeguard its financial stability and enhance operational efficiency. These measures include enhancing cash flow management, diversifying funding sources, and improving project planning and execution. Additionally, staying informed about macroeconomic policies

and adapting strategies accordingly will help the company navigate external challenges effectively.

SWOT analysis, consisting of Strengths, Weaknesses, Opportunities, and Threats, is a commonly used strategic planning tool. For Nanning Red Sun Real Estate Company, conducting a SWOT analysis can provide a comprehensive assessment of their internal and external environments, thus offering strong support for the development of their strategic plans (Table 2.8).

Table 2.8 - SWOT analysis of Nanning Red Sun Real Estate Company

Category	Description
1	2
Strengths	
Brand reputation excellence	Nanning Red Sun Real Estate Company has garnered acclaim and a strong market reputation due to its high-quality products and services, creating a robust foundation for attracting investment and expanding its market share.
Accurate market positioning	Nanning Red Sun Real Estate Company precisely identifies market demands, focusing on comprehensive improvements in quality, brand, and service. This strategic positioning enhances the competitiveness and marketability of its products, facilitating the expansion into new markets.
Strong cost control and resource integration capabilities	The company prioritizes cost control and resource integration, continually enhancing its core competitiveness through optimized internal management, improved production efficiency, and cost reduction. Additionally, strategic cooperation with partners allows for joint market and resource development, achieving mutually beneficial outcomes.
Project location advantages	The company's projects are primarily located in major cities experiencing rapid economic growth, situated in high-appreciation areas with increasing housing demand. The project scale aligns with the company's quality development and sustainable strategic planning, with construction areas ranging from 500,000 to 2 million square meters.
Strong financing capabilities	Nanning Red Sun Real Estate Company has established strong cooperative relationships with multiple large financial institutions, ensuring diverse financing channels and relatively low capital costs.
Weaknesses	
Relatively high corporate debt ratio	The company's rapid expansion has resulted in a high debt accumulation, potentially exerting pressure on its long-term development.
Tight capital chain operations	Due to the existing debt issues, the company may face tight capital chains, potentially affecting its daily operations and project progress.
Diversified product chain leads to weakened core competitiveness	Involvement in multiple fields may dilute the company's core competitiveness in any specific area.

Continuation of Table 2.8

1	2
Opportunities	
Sustained growth in market demand	The acceleration of urbanization and population growth in China sustains strong demand in the real estate market, offering vast market potential for Nanning Red Sun Real Estate Company.
Favorable policy environment	The Chinese government's gradual stabilization of policy regulation in the real estate industry provides a conducive development environment for the company.
Technological innovation drives development	Increased investment in research and development of new technologies and models, particularly in digitalization and intelligence, can enhance operational efficiency and market competitiveness for Nanning Red Sun Real Estate Company.
Threats	
Uncertainty in the economic environment	Global economic uncertainty may adversely impact the real estate market, thereby affecting the company's business performance.
Policy regulation risks	The unpredictable nature of the Chinese government's policy regulation in the real estate industry may significantly influence the company's operations.
Intense market competition	The continuous development of the real estate market has intensified competition, necessitating the company to continuously enhance its competitiveness and market share.

Source: Author's own research

In a SWOT analysis, strengths and weaknesses are representations of a company's internal environment. A company can achieve better development by leveraging its strengths and overcoming its weaknesses. For instance, a company can utilize its brand influence and financial prowess to increase marketing efforts and broaden marketing channels. Simultaneously, by optimizing project management and reducing costs, the company can enhance operational efficiency and market competitiveness. Furthermore, the company should enhance its innovation capabilities to promote the differentiated development of its products, satisfying the diverse needs of consumers.

To minimize risks, Nanning Red Sun Real Estate Company should consider implementing a comprehensive risk management strategy. This includes continuously monitoring market trends and policy changes to swiftly adapt and align business strategies accordingly. Strengthening financial planning and maintaining a healthy debt ratio are essential to mitigate the risks associated with high debt and tight capital chains.

The company should also focus on improving cash flow management through better credit control and inventory management to ensure sufficient working capital. Diversifying the investment portfolio and expanding into new, less volatile markets can also reduce exposure to market and policy risks. Additionally, investing in advanced technologies and innovative solutions can drive operational efficiency and create a competitive edge in the market. By fostering a culture of continuous improvement and agility, Nanning Red Sun Real Estate Company can effectively manage risks and capitalize on opportunities for sustainable growth.

The PEST analysis of Nanning Red Sun Real Estate Company is an evaluation of its external macro environment, focusing on four aspects: Political, Economic, Social, and Technological (table 2.9).

Table 2.9 - PEST analysis of Nanning Red Sun Real Estate Company

Environment	Factors	Description
1	2	3
Political	Policy Support	The government supports the architectural decoration industry, fostering healthy development.
	Stable Political Environment	Nanning, as Guangxi's capital, provides a stable political environment favorable for development.
	Regulatory Challenges and Opportunities	Increasing government requirements for innovation and environmental protection pose both challenges and opportunities.
	Real Estate Regulation	National regulation remains tight, affecting real estate investment and profit margins.
Economic	Rapid Economic Development	Nanning's rapid economic growth and increasing per capita GDP provide vast market opportunities.
	Financing and Land Acquisition	Strong government ties facilitate easier access to bank loans and low-cost land resources.
	Financial System	Sound financial system with a reasonable asset-liability ratio and moderate profit margins.
Social	Rising Quality of Life Expectations	Growing demand for architectural decoration due to increased quality of life and environmental consciousness.
	Population and Cultural Impact	Population structure and cultural background of Nanning influence market strategies.
	Market Demand	Steady growth in real estate development investment and sales, but intense competition, especially for small and medium-sized developers.
Technological	Innovation and Development	Continuous technological innovation is essential to improve construction efficiency and quality.

Continuation of Table 2.9

1	2	3
Technological	Investment in R&D	Need for increased investment in technology R&D to enhance innovation capabilities and competitiveness.
	Management and Technical Skills	Inefficient management, outdated concepts, and lack of high-end technical personnel pose challenges.
	Organizational Structure	Need for modern management systems, clear responsibilities, and improved communication and talent development.

Source: Author's own research

To minimize the identified risks, Nanning Red Sun Real Estate Company should adopt a multi-faceted strategic approach. First, enhancing its planning capabilities is crucial for mitigating investment project preparation risks. The company should implement a more rigorous feasibility analysis process tailored to specific project conditions, ensuring accurate financial and technical requirements are met. This includes investing in advanced project management tools and training for staff to improve overall planning efficiency.

In addressing the project investment loss risk, the company must closely monitor and adapt to macroeconomic policy changes and market fluctuations. Developing a flexible and responsive strategic framework will allow the company to adjust its development plans in real-time, ensuring alignment with government regulations and market demands. Additionally, diversifying investment portfolios can help spread risk and reduce dependency on a single market segment.

Operational risks can be minimized by improving accounts receivable management and inventory turnover. Implementing stricter credit policies and enhancing collection processes will ensure timely cash flow, reducing the likelihood of liquidity crises. Moreover, optimizing inventory management through better demand forecasting and supply chain coordination will help maintain an efficient operational flow.

On the technological front, increasing investment in research and development will drive innovation, allowing the company to stay competitive and meet evolving consumer demands. Adopting new technologies, materials, and processes will enhance

construction efficiency and product quality, further solidifying the company's market position.

Strengthening the organizational structure and management practices is also essential. Establishing clear roles and responsibilities, improving communication channels, and developing a robust talent management system will enhance operational efficiency and employee motivation. By focusing on these strategies, Nanning Red Sun Real Estate Company can effectively mitigate risks and ensure sustainable growth and profitability.

In conclusion, Nanning Red Sun Real Estate Company operates in a dynamic environment characterized by various internal and external risks. By conducting a thorough SWOT and PEST analysis, the company can identify its strengths, weaknesses, opportunities, and threats, providing a comprehensive understanding of its strategic position. To mitigate the financial and operational risks identified, it is imperative for the company to adopt a multi-faceted risk management strategy. This includes enhancing planning capabilities, closely monitoring macroeconomic policies, and developing a flexible strategic framework to adapt to market changes. Improving cash flow management through better credit control and inventory turnover, as well as diversifying investment portfolios, can significantly reduce exposure to market volatility. Furthermore, investing in technological innovation and fostering a culture of continuous improvement will enhance the company's competitive edge. Strengthening organizational structure and management practices will ensure operational efficiency and employee motivation. By implementing these strategic measures, Nanning Red Sun Real Estate Company can safeguard its financial stability, capitalize on growth opportunities, and achieve sustainable development.

CHAPTER 3

WAYS TO IMPROVE THE MANAGEMENT SYSTEM OF THE ENTERPRISE

3.1 Deficiencies in Current Enterprise Management System

The examination of deficiencies in current enterprise management systems is pivotal for businesses striving to enhance their efficiency, competitiveness, and adaptability in a rapidly evolving market. As technology progresses and the global economy become increasingly interconnected, the limitations of traditional management systems have become more apparent. These systems often struggle with issues such as integration difficulties, data silos, and inadequate real-time analytics, which can impede decision-making processes. Moreover, the lack of flexibility in adapting to new business models or regulatory changes can further stifle innovation. Therefore, identifying and addressing these deficiencies not only helps in optimizing operational efficiencies but also plays a crucial role in driving sustainable growth and maintaining a competitive edge in the digital age [2 p. 15].

Over the past three years, the financial risk profile of Red Sun Real Estate Company has displayed a generally declining trajectory, although there was a marginal increase in 2022. Despite being a prominent player in the real estate sector, known for its stable growth, policy backing, and robust systems, Red Sun still encounters financial risks in its operations, which preclude it from being classified as risk-free. The primary concern lies in the company's liquidity, as evidenced by the persistently low quick ratio over the past five years, which consistently falls between suboptimal and poor levels, signaling a heightened risk in short-term debt obligations. Additionally, the operating profit margin has been adversely impacted by the pandemic, oscillating between low and moderate levels, further underscoring the firm's financial vulnerabilities.

The current landscape of financial risk assessment within real estate enterprises demands meticulous scrutiny, particularly in the face of evolving market dynamics and unexpected global challenges such as pandemics. To navigate this complex

environment, an advanced quantitative methodology has been employed, utilizing the Analytic Hierarchy Process (AHP). This method systematically compares various financial indicators through a structured matrix of expert evaluations, thereby assigning precise weights to each indicator. This approach not only enhances the accuracy of financial risk assessment but also aligns it with the strategic objectives of the enterprise. The subsequent analysis, detailed below, provides a comprehensive evaluation of Red Sun Real Estate Company, revealing inherent financial vulnerabilities despite its substantial market presence and external supports [14 p. 230, 16 p. 151].

We utilize the Arabic numeral scale from 1 to 9 to ascertain the significance of two key indicators, employing quantitative techniques for their evaluation through numerical assignments. The term A-mn denotes the comparison of the M-th middle layer element with the N-th factor, and B-mn refers to how the M-th bottom layer element compares with the N-th factor, as illustrated in Table 3.1.

Table 3.1 - Relative Importance Scale for Comparative Assessment

Index assignment	1	3	5	7	9	2, 4, 6, 8
Definition	M is as important as N	M is slightly more important than N	M is more important than N	M is important compared to N	M is extremely important compared to N	The degree of importance is between 1, 3, 5, 7, and 9

Source: Author's own research

Table 3.1 establishes a nuanced scale ranging from 1 to 9 to measure the relative importance of various elements, each value corresponding to a specific level of importance. An index of 1 indicates that element «M» is as important as element «N», representing situations where both elements are equally vital to the analysis or decision-making process. An index of 3 suggests that «M» is slightly more important than «N», used when «M» holds a marginally greater significance. Moving up, an index of 5 indicates that «M» is distinctly more important than «N», reflecting a clear preference or higher value of «M» over «N». An index of 7 denotes that «M» is significantly important compared to «N», pointing to a substantial disparity in importance. The

highest standard index, 9, shows that «M» is extremely important compared to «N», used in scenarios where the importance of «M» far exceeds that of «N». Additionally, even indices such as 2, 4, 6, and 8 fill the gaps between these main categories, offering a more granular assessment by denoting intermediate levels of importance, ensuring a precise and flexible evaluation framework.

The relative importance of the two indicators was determined using an expert scoring methodology, subsequently facilitating the construction of a judgment matrix (Appendix A). Initially, the research design sought the input of 35 professionals to guide the assessment process. However, due to various constraints, only twenty experts could ultimately participate. Following extensive discussions, comparisons, and analyses conducted with these experts, specific results were derived, as presented in Table 3.2. This methodical approach underscores the robustness and credibility of the analysis by incorporating expert insights directly into the evaluative framework.

Table 3.2 - Comparative Importance Matrix for Strategic Financial Indicators of Red Sun Real Estate Company

A	A1	A2	A3	A4	A5
A1	1	2	1/2	1/3	2
A2	1/2	1	1/3	1/4	1
A3	2	3	1	1/2	3
A4	3	4	2	1	4
A5	1/2	1	1/3	1/4	1

Source: Author's own research

The matrix presented as Table 3.2 serves as a comprehensive evaluation tool to measure the comparative importance of five key financial indicators within the target layer of Red Sun Real Estate Company's strategic framework. Each row and column represent the indicators labeled A1 through A5. The matrix utilizes a reciprocal scale where each cell value indicates the relative importance of the row indicator compared to the column indicator. For example, A1 is considered twice as important as A2 (a value of 2), but only one-third as important as A4 (a value of 1/3). Conversely, A4 is perceived as significantly more critical than A1, as indicated by a value of 3. This asymmetric assessment reflects a non-uniform perception of value among the indicators,

with A4 frequently rated as more important across comparisons, denoted by higher values relative to other indicators.

Further analysis shows that A3 and A4 consistently receive higher relative importance scores, suggesting they are pivotal to the organization's financial assessment strategy. In contrast, A2 and A5 often receive lower scores, indicating a lesser impact on strategic decisions. The matrix's structure, with reciprocal values for inverse comparisons (e.g., A1 vs A2 and A2 vs A1), confirms the consistency and systematic approach of the scoring methodology.

Utilizing the Yaahp software, the weights of the intermediate-level financial indicators for Red Sun Real Estate Company were quantitatively determined, as detailed in Table 3.3.

Table 3.3 - Weight of first-level indicators of financial risk of Red Sun Real Estate Company

Ability to risk	Weight
Solvency A1	0.1529
Cash flow capacityA2	0.0876
Operational capacityA3	0.2573
Profitability	0.4147
Capacity for development	0.0876

Source: Author's own research

The weights of the primary financial risk indicators for the analysis were computed using the Yaahp software, resulting in the formulation of a normalized vector, denoted as (3.1)

$$W = (0.1529, 0.0876, 0.2573, 0.4147, 0.0876)^T \quad (3.1)$$

Subsequently, it is necessary to calculate the eigenvalue, λ of this judgment matrix to proceed with the evaluation (3.2).

$$AW = \begin{bmatrix} 1 & 2 & 1/2 & 1/3 & 2 \\ 1/2 & 1 & 1/3 & 1/4 & 1 \\ 2 & 3 & 1 & 1/2 & 3 \\ 3 & 4 & 2 & 1 & 4 \\ 1/2 & 1 & 1/3 & 1/4 & 1 \end{bmatrix} \begin{bmatrix} 0.1529 \\ 0.0876 \\ 0.2573 \\ 0.4147 \\ 0.0876 \end{bmatrix} = \lambda W = \lambda \begin{bmatrix} 0.1529 \\ 0.0876 \\ 0.2573 \\ 0.4147 \\ 0.0876 \end{bmatrix} \quad (3.2)$$

From the analysis, the maximum eigenvalue, λ , is determined to be 5.0364. To ensure the matrix's integrity and minimize potential biases, it is essential to verify its consistency using a designated formula (3.3). This step is crucial to confirm the reliability of the matrix's evaluative outcomes.

$$CI = [(\lambda_{\max} - n)/(n - 1)] \quad (3.3)$$

By applying the relevant values, the Consistency Index (CI) is derived using the formula $CI = (5.0364 - 5) / (5 - 1) = 0.0091$. This deviation in consistency largely stems from random factors inherent in the matrix construction. To assess the acceptability of this deviation, the CI must be compared against a Random Index (RI), and subsequently, the Consistency Ratio (CR) is calculated using the formula $CR = CI / RI$. A CR value below 0.1 signifies that the judgment matrix has passed the consistency test and exhibits satisfactory consistency. Conversely, a CR exceeding 0.1 indicates that the matrix does not pass the consistency test, thus failing to achieve the necessary level of consistency, as illustrated in Table 3.4.

Table 3.4 - Average stochastic consistency indicators of order 1-9

n	1	2	3	4	5	6	7	8	9
RI	0	0	0.58	0.9	1.12	1.24	1.32	1.41	1.45

Source: Author's own research

When the order of the matrix, n , is equal to 5, the calculated Consistency Ratio (CR) for the judgment matrix is determined as (3.4)

$$CR = 0.0091/1.12 = 0.0081 \quad (3.4)$$

Since this value is less than 0.1, it indicates that the judgment matrix successfully passes the consistency test and demonstrates satisfactory consistency.

In this comprehensive analysis, we aim to evaluate the financial stability and operational efficiency of Red Sun Real Estate Company by examining a series of critical financial indicators. These indicators include solvency, cash flow capability, operational capacity, profitability, and development potential. By assessing these areas through expert-driven judgment matrices, we will determine their relative weights and significance.

1. Analysis of solvency (Indicator A1). The judgment matrix for solvency indicators specific to Red Sun Real Estate Company has been developed by aggregating expert evaluations, as detailed in Table 3.5.

Table 3.5 - Solvency judgment matrix of Red Sun Real Estate Company

A1	B1	B2	B3
B1	1	1	1/2
B2	1	1	1/2
B3	2	2	1

Source: Author's own research

Through calculation, the weights of various indicators of solvency (A1) can be obtained, as shown in Table 3.6.

Table 3.6 - A1 - Weights of various indicators

Name of indicator	The proportion of indicators
Current income ratio B1	0.25
Quick rate of action B2	0.25
Asset-liability ratio B3	0.5

Source: Author's own research

The solvency judgment matrix's normalization vector, denoted as (3.5),

$$W = (0.25, 0.25, 0.5)^T \quad (3.5)$$

And a maximum eigenvalue λ of 3, yields a Consistency Index (CI) of 0 and a Consistency Ratio (CR) of less than 0.1. These results confirm that the judgment matrix adheres to the required standards of consistency, thus validating its reliability for evaluating solvency.

2. Analysis of cash flow capability (Indicator A2). In the evaluation of Red Sun Real Estate Company's financial framework, experts have emphasized the critical role of cash flow capability within the broader system of indicators. Consequently, the cash flow debt ratio, designated as B4, has been singled out as the sole measure for assessing cash flow capability. As such, it has been assigned a definitive weight of 1, reflecting its paramount importance in the company's financial health assessment.

3. Analysis of operational capability (Indicator A3). By compiling the data from the expert scoring table, we have constructed the judgment matrix for assessing the operational capability of Red Sun Real Estate Company, as displayed in Table 3.7. This matrix facilitates a structured evaluation of the company's operational effectiveness through specific indicators.

Table 3.7 - Judgment of operating capacity of Red Sun Real Estate Company

A3	B5	B6
B5	1	2/3
B6	3/2	1

Source: Author's own research

Utilizing quantitative methods, the weights for the various indicators of operating capacity, denoted as A3, have been determined and are presented in Table 3.8.

Table 3.8 - A3 - Weight of each index

Name of indicator	Proportion of indicators
Accounts receivable turnover B5	0.5714
Total asset turnover B6	0.4286

Source: Author's own research

Consequently, the normalization vector derived from this judgment matrix is (3.6)

$$W = (0.5714, 0.4286)^T \quad (3.6)$$

And the calculated maximum eigenvalue λ is 3. With a Consistency Index (CI) of 0 and a Consistency Ratio (CR) less than 0.1, this judgment matrix successfully meets the established consistency criteria, affirming its methodological soundness.

4. Analysis of Profitability (Indicator A4). By consolidating the data from the scoring table, the judgment matrix representing the profitability indicators for Red Sun Real Estate Company has been compiled, as illustrated in Table 3.9. This matrix is crucial for evaluating the company's ability to generate profits efficiently.

Table 3.9 - A4 - Profitability judgment matrix of Red Sun Real Estate Company

A4	B7	B8	B9	B10
B7	1	1/3	2	1/2
B8	3	1	4	2
B9	1/2	1/4	1	1/3
B10	2	1/2	3	1

Source: Author's own research

The weights assigned to the various profitability indicators, designated as A4, have been quantitatively determined and are documented in Table 3.10.

Table 3.10 - A4 - Weight of each index

Name of indicator	The proportion of indicators
Return on total assets B7	0.1601
Operating profit margin B8	0.4673
Return on capital B9	0.0954
Return on equity B10	0.2772

Source: Author's own research

Hence, the normalization vector for this judgment matrix is (3.7)

$$W = (0.1601, 0.4673, 0.0954, 0.2772)^T \quad (3.7)$$

With the maximum eigenvalue λ calculated as 4.0310. The Consistency Index (CI) is 0.0103, and the Consistency Ratio (CR) is 0.0115, which is below the threshold of 0.1. These metrics indicate that the judgment matrix has successfully passed the consistency check, demonstrating satisfactory consistency in its evaluations.

5. Analysis of Development Capability (Indicator A5). By compiling the results from the scoring table, we have formulated the judgment matrix that evaluates the development capability indicators for Red Sun Real Estate Company, as displayed in Table 3.11. This matrix is essential for analyzing the company's potential for growth and expansion.

Table 3.11 - A5 - Develop capacity judgment matrix of Red Sun Real Estate Company

A5	B11	B12	B13
B11	1	1/3	1/2
B12	3	1	2
B13	2	1/2	1

Source: Author's own research

The calculated weights for the various indicators of development capacity, categorized as A5, are presented in Table 3.12. These weights were derived through systematic analysis and quantification.

Table 3.12 - Weight of each indicator

Name of indicator	The proportion of indicators
Operating income growth rate B11	0.1634
Operating profit growth rate B12	0.5396
Growth rate of total assets B13	0.2970

Source: Author's own research

Consequently, the normalization vector derived from this judgment matrix is (3.8)

$$W = (0.1634, 0.5396, 0.2970)^T \quad (3.8)$$

And the maximum eigenvalue λ is calculated to be 3.0092. With a Consistency Index (CI) of 0.0046 and a Consistency Ratio (CR) of 0.0079, which falls below the threshold of 0.1, the matrix satisfies the consistency standards, affirming its methodological reliability and adequacy.

Following the detailed analysis provided above, the weights assigned to various financial indicators specific to real estate companies, including Red Sun Real Estate Company, are documented in Table 3.13. This table encapsulates the quantified importance of each indicator, serving as a foundational tool for financial assessment and strategic decision-making within the company.

Table 3.13 - Weight list of financial risk assessment indicators of Red Sun Real Estate Company

Level 1 Indicator	Level 2 Indicator	Index Calculation Weight
Ability to pay debts A1 (0.1529)	Current income ratio B1	0.0382
	Quick rate of action B2	0.0382
	Asset-liability ratio B3	0.0765
Cash flow capacity A2 (0.0876)	Cash flow debt ratio B4	0.0876
Operating capacity A3 (0.2573)	Accounts receivable turnover B5 0.5714	0.1470
	Total asset turnover B6 0.4286	0.1103
Profitability A4 (0.4147)	Return on total assets B7 0.1601	0.0664
	Operating profit margin B8 0.4673	0.1938
	Return on capital B9 0.0954	0.0396
	Return on equity B10 0.2772	0.1150
Capacity for development A5 (0.0876)	Operating income growth rate B11 0.1634	0.0143
	Operating profit growth rate B12 0.5396	0.0473
	Growth rate of total assets B13 0.2970	0.0260

Source: Author's own research

The financial risk assessment model for Red Sun Real Estate Company has been meticulously developed using the weights derived from the Analytic Hierarchy Process (AHP) (3.9).

$$\begin{aligned}
Z = & 0.0382 \times X1 + 0.0382 \times X2 + 0.0765 \times X3 + 0.0876 \times X4 + 0.1470 \times X5 \\
& + 0.1103 \times X6 + 0.0664 \times X7 + 0.1938 \times X8 + 0.0396 \times X9 + 0.1150 \times X10 \\
& + 0.0143 \times X11 + 0.0473 \times X12 + 0.0260 \times X13
\end{aligned}
\tag{3.9}$$

Despite the company's considerable size, stable growth, policy support, and robust systems, it remains susceptible to financial risks and has not yet achieved a completely risk-free status. The primary concerns are centered around its liquidity and profitability. The quick ratio, an essential indicator of debt repayment capacity, has been consistently low over the past three years, often falling between suboptimal and poor levels, which highlights a significant risk in managing short-term liabilities. Moreover, the impact of the pandemic has led to operating profit margins that linger between low and moderate, suggesting an overall weak profitability during this period.

The analysis of deficiencies in the current enterprise management systems at Red Sun Real Estate Company highlights critical areas requiring improvement to sustain and enhance business operations. Despite its robust infrastructure and policy support, the company faces significant challenges related to integration, real-time data analytics, and adaptability to regulatory changes. These systemic issues not only hinder the company's ability to respond swiftly to market shifts but also affect its competitive edge in the dynamic real estate sector. Enhancing these aspects of the enterprise management system could lead to improved decision-making processes and increased operational efficiency. For Red Sun Real Estate Company, addressing these deficiencies is not merely a measure of risk mitigation but a strategic imperative to foster sustainable growth and innovation in an increasingly interconnected and technologically driven marketplace.

3.2 Implementation of Risk Management at the Enterprise

Implementing risk management at an enterprise level is essential for organizations seeking to navigate the complexities of modern business landscapes

effectively. This strategic approach involves identifying, assessing, and prioritizing risks followed by coordinated efforts to minimize, monitor, and control the probability or impact of unfortunate events. Effective risk management not only safeguards the assets and reputation of the company but also enhances its value by mitigating potential losses and improving operational resilience. By integrating risk management processes into all levels of organizational strategy, companies can anticipate potential setbacks more proactively and make more informed decisions [14 p. 230, 26 p. 421].

Red Sun Real Estate Company, a prominent entity in China's real estate sector, has demonstrated resilience and adaptability over the past two decades despite numerous challenges. Based on the above analysis, this chapter will discuss how to control financial risks for the enterprise. Risk control recommendations will be explored from multiple perspectives to enhance the management systems and strategic approaches of Red Sun Real Estate Company. These recommendations are detailed in Figure 3.1, providing a visual outline of the proposed enhancements.

1. Implementing a Fine Management System - Red Sun Real Estate Company acknowledges that meticulous management can significantly enhance the handling of daily operational aspects, particularly issues such as inventory backlogs exacerbated by the pandemic-induced market closures. By adopting a fine management approach, the company can better coordinate its production and business activities, achieving notable improvements in quality and efficiency. To reinforce this concept, a detailed management workflow diagram could be incorporated, illustrating the integration of fine management across various departments.

2. Developing a Multi-Form Development Model - Despite Red Sun Real Estate Company's ventures into property services, commercial office buildings, and tourism parks, diversification remains crucial. The company should embrace a multi-format development model to mitigate risks associated with business simplification. This could involve exploring new sectors like elderly care real estate, which presents substantial growth potential in China. A pilot project feasibility analysis could be useful here, with tables comparing potential returns from various new ventures.

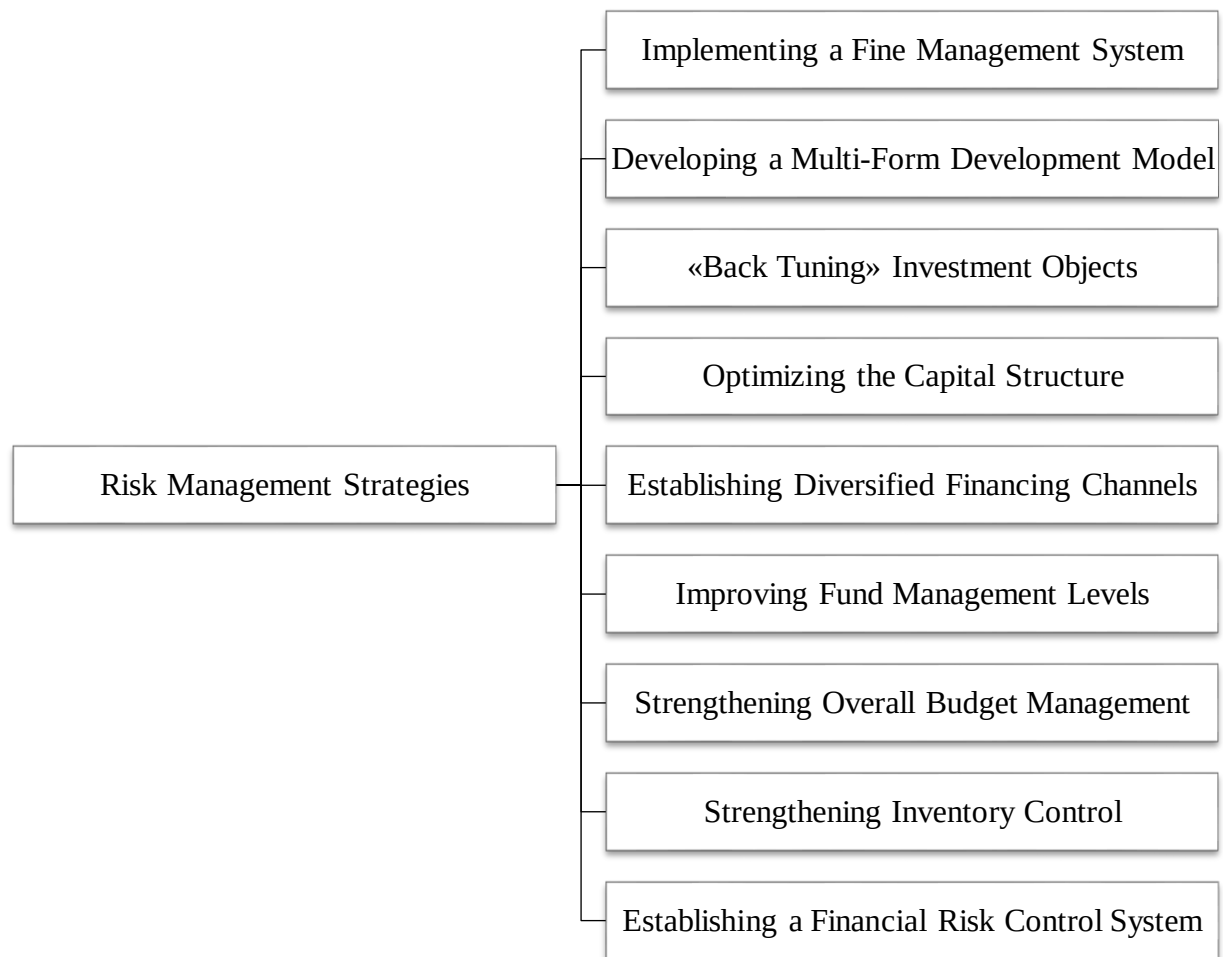


Figure 3.1 - Risk Management Strategies for Red Sun Real Estate Company

Source: Author's own research

3. «Back Tuning» Investment Objects - Red Sun Real Estate Company should refine its investment strategies by conducting thorough feasibility studies for potential investment projects. This involves a detailed investment analysis report that covers all aspects of the project, including required capital, profit margins, and provisioning for bad debts at each stage. Investment comparison tables can offer a visual representation of options, facilitating better decision-making.

4. Optimizing the Capital Structure - Given that Red Sun Real Estate Company's current and quick ratios are below industry norms, attention must be given to optimizing its debt structure. The company could benefit from increasing the proportion of long-term liabilities to improve financial stability. A debt structure optimization chart would help visualize the adjustments needed for a healthier balance between long- and short-term liabilities.

5. Establishing Diversified Financing Channels - The economic downturn and tightening national policies has impacted the real estate sector significantly. Red Sun Real Estate Company should develop suitable financing methods that comply with national regulations, such as private equity funding and joint development initiatives. A financing diversification table could outline various available financing options and their respective advantages and limitations.

6. Improving Fund Management Levels - Enhancing cash flow and capital management is crucial for Red Sun Real Estate Company's sustainability. The financial department should implement strict controls over daily cash flow and optimize capital usage. A series of flowcharts could demonstrate the process of annual budgeting and capital allocation, providing clarity on the flow and use of funds.

7. Strengthening Overall Budget Management - Comprehensive budget management is vital for reducing business risks and aligning operations with strategic goals. Red Sun Real Estate Company should incorporate comprehensive budget management across all business activities. Suggested additions include a strategic alignment diagram and an assessment mechanism framework that integrates financial indicators into project and annual evaluations.

8. Strengthening Inventory Control - To manage the growing inventory efficiently, Red Sun Real Estate Company needs robust inventory management strategies. Proposed diagrams could illustrate the inventory management process, from sales planning to execution, highlighting key strategies for effective destocking.

9. Establishing a Financial Risk Control System - The creation of a dedicated Financial Risk Management Department within Red Sun Real Estate Company is recommended. This department would be responsible for developing and implementing financial risk management strategies. A table detailing the roles, responsibilities, and required qualifications for department staff could complement this strategy, emphasizing the need for ongoing professional development and risk assessment.

In modern business management, the implementation of effective strategies is critical to achieving organizational goals. The perception of these strategies by different stakeholder groups plays a significant role in their success. The following figure 3.2

presents a scoring matrix for the perception of proposed strategies by various stakeholder groups, including management, employees, investors, and customers.

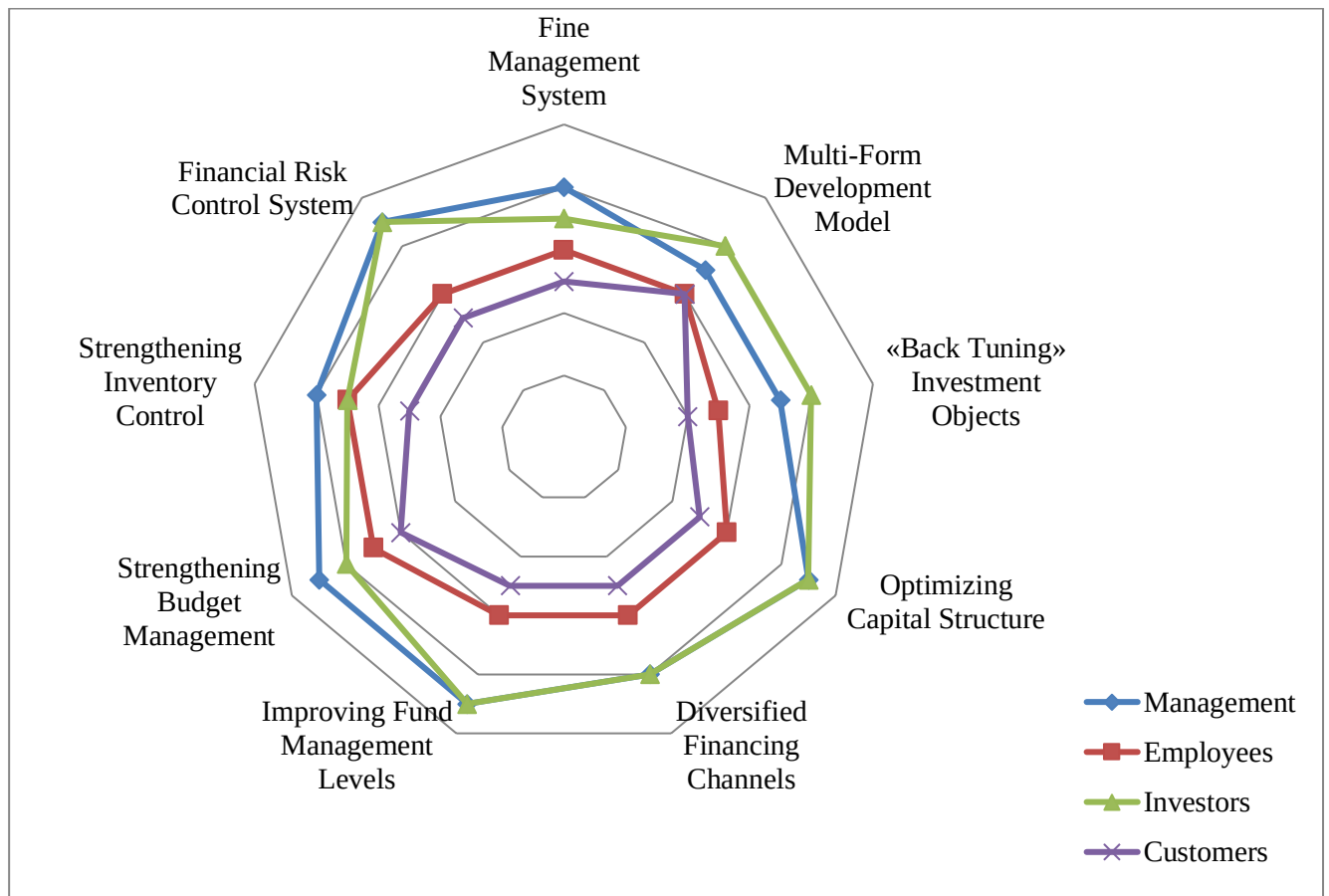


Figure 3.2 - Perception Scoring Matrix for Proposed Strategies for Red Sun Real Estate Company

Source: Author's own research

The Fine Management System is highly valued by management, scoring 8, for its potential to enhance efficiency and streamline processes. Employees view it moderately positively, scoring 6, with concerns about increased oversight. Investors appreciate its ability to improve returns, giving it a score of 7. Customers feel less direct impact, scoring it 5, though they may benefit indirectly through improved service quality. The Multi-Form Development Model is favored by both management and investors, who score it 7 and 8, respectively, for its potential to diversify operations and reduce risks. Employees score it 6, recognizing growth opportunities but cautious about changes. Customers also give it 6, appreciating the potential variety and innovation. «Back

Tuning» Investment Objects strategy receives mixed reactions. Management and investors rate it 7 and 8, respectively, for its strategic alignment and potential returns. Employees score it 5, showing uncertainty about its implications, while customers score it 4, indicating limited perceived benefit. Optimizing Capital Structure is highly regarded by management and investors, both scoring 9. Employees give it 6, showing moderate acceptance, while customers score it 5, reflecting peripheral impact. The strategy of Diversified Financing Channels is also rated highly by management and investors, both scoring it 8, for financial flexibility and reduced risk. Employees score it 6, showing neutral to positive perception, while customers score it 5, with minimal direct impact but potential stability benefits. Improving Fund Management Levels receives strong support from management and investors, both scoring 9, for its direct relation to financial efficiency and profitability. Employees rate it 6, showing moderate recognition, while customers score it 5, indicating indirect benefits. Strengthening Budget Management is highly valued across all groups, with management scoring 9, employees 7, and investors 8. Customers score it 6, appreciating the effects on service quality and pricing stability. Strengthening Inventory Control is seen positively by management and employees, scoring 8 and 7, respectively. Investors score it 7, for potential cost savings and better performance. Customers score it 5, reflecting limited but present impact on satisfaction. The Financial Risk Control System is highly valued by management and investors, both scoring 9, for mitigating risks and ensuring stability. Employees rate it 6, recognizing its importance but concerned about compliance. Customers score it 5, indicating minimal direct impact but long-term viability benefits.

In summary, the proposed strategies are generally well-received by management and investors, who see the potential for improved efficiency, financial performance, and risk management. Employees show moderate support, balancing the benefits with concerns about changes and oversight. Customers, while not directly affected by most strategies, stand to benefit indirectly from improved service quality, financial stability, and operational efficiency.

Table 3.14 presents a detailed analysis of the potential for implementing the proposed strategy for Red Sun Real Estate Company. The table evaluates various

factors such as market conditions, internal resources, and competitive landscape. It provides a comprehensive assessment of the feasibility and potential impact of the strategy, highlighting key areas of strength and potential challenges.

Table 3.14 - Analysis of Strategy Implementation Potential for Red Sun Real Estate Company

Strategy	Assumption for Improvement	Baseline Figures	Improvement Impact	Annual Financial Benefit (CNY)
Fine Management System	Reduces operational costs by 5%	100M operational costs	5% cost reduction	5M
Multi-Form Development Model	Increases revenues by 15%	500M revenue	15% revenue increase	75M
«Back Tuning» Investment Objects	Improves ROI from 5% to 7%	200M invested	ROI increase 2%	8M (from 10M to 14M)
Optimizing Capital Structure	Reduces interest expenses by 1%	20M interest expenses	1% cost reduction	200K
Diversified Financing Channels	Reduces financing costs by 20%	30M financing costs	20% cost reduction	6M
Improving Fund Management Levels	Reduces cash holding costs by 15%	5M cash management costs	15% cost reduction	750K
Strengthening Budget Management	Reduces cost overruns by 25%	40M cost overruns	25% cost reduction	10M
Strengthening Inventory Control	Reduces excess inventory by 30%	10M inventory costs	30% reduction	3M
Financial Risk Control System	Prevents losses amounting to 5% of revenue	500M revenue	Loss prevention	25M

Source: Author's own research

The table 3.14 provides a comprehensive overview of the potential financial benefits of implementing various strategic improvements at Red Sun Real Estate Company. By adopting a fine management system, the company could save approximately 5 million CNY annually through enhanced operational efficiency. Diversifying into new development models like elderly care real estate could boost

annual revenues by 75 million CNY, reflecting a significant growth potential. Refining investment strategies to improve ROI could yield an additional 8 million CNY annually. Optimizing the capital structure and establishing diversified financing channels could collectively save the company 6.2 million CNY in financing and interest costs. Enhancing fund management levels and implementing comprehensive budget management could lead to cost savings of 750K and 10 million CNY respectively. Effective inventory control strategies could reduce excess inventory costs by 3 million CNY annually, while establishing a financial risk control system could prevent potential losses, securing an additional 25 million CNY annually. Overall, these strategic implementations could significantly bolster the financial stability and growth prospects of Red Sun Real Estate Company, enhancing its resilience in the competitive real estate market.

The implementation of comprehensive risk management strategies at Red Sun Real Estate Company is critical to its sustained success and resilience in the competitive real estate market. By adopting measures such as a fine management system, multi-form development model, and optimized capital structure, the company can enhance operational efficiency and financial stability. Establishing diversified financing channels and improving fund management levels further mitigate financial risks, while comprehensive budget management and robust inventory control strategies address potential inefficiencies. The creation of a dedicated financial risk control system ensures proactive risk mitigation, safeguarding the company's assets and enhancing its decision-making capabilities. Collectively, these strategic implementations promise substantial financial benefits and strengthened resilience, positioning Red Sun Real Estate Company for sustainable growth and success.

3.3 Improvement of the Financial Condition of the Enterprise from Implemented Measures

Improving the financial condition of an enterprise is a critical goal for any business. Implementing specific measures can significantly enhance operational

efficiency, increase profitability, and ensure sustainable growth. These efforts lead to a more robust financial position, enabling the company to better withstand economic fluctuations and capitalize on new opportunities.

The development of a robust and competitive organizational structure is essential for any enterprise seeking sustainable growth and market leadership. In the context of state-owned enterprises, aligning with modern management practices is crucial to adapt to dynamic economic environments and ensure long-term success.

Red Sun Real Estate Company, under the guidance of SASAC (State-owned Assets Supervision and Administration Commission) of Nanning, aims to establish itself as a leading player in the real estate market. However, challenges such as an incomplete modern organizational structure, outdated management models, and a weak compensation system have impeded its progress. To address these issues, the company has implemented various measures focused on product innovation, enhancing technology management, introducing advanced property service concepts, establishing an incentive-oriented compensation system, and improving its financial situation. The following results highlight the impact of these measures, as illustrated in Figure 3.3.

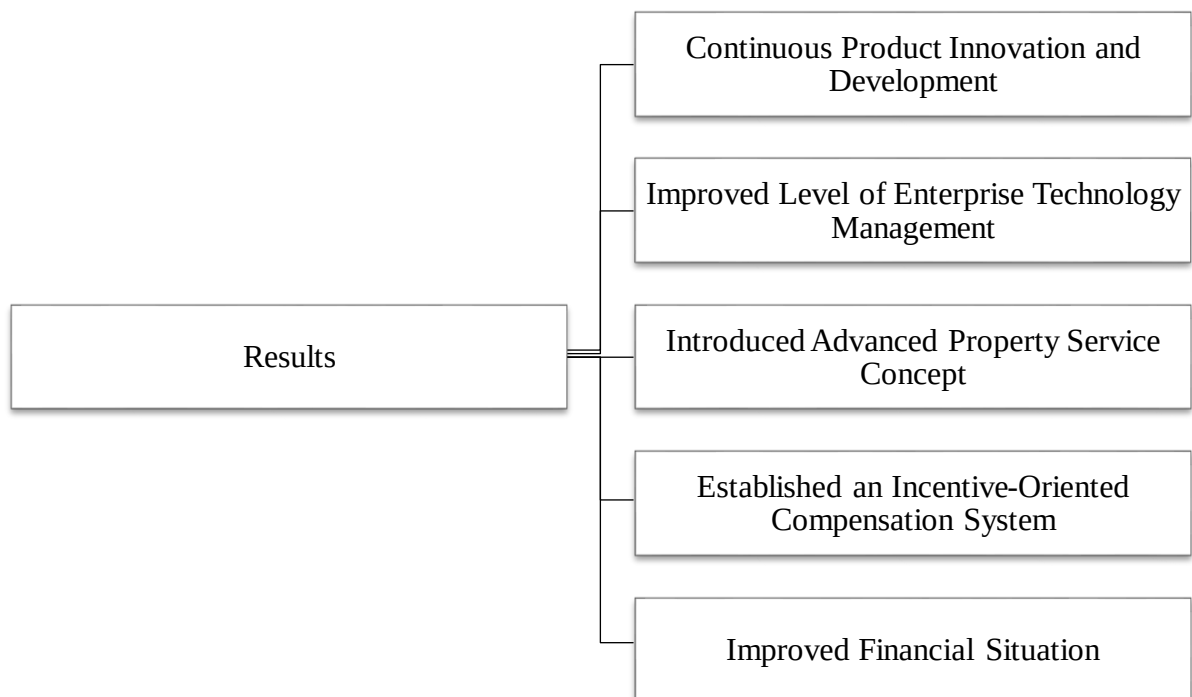


Figure 3.3 - Results of Implemented Measures at Red Sun Real Estate Company

Source: Author's own research

1. Continuous Product Innovation and Development. Under new market policies, small and medium-sized real estate enterprises need to enhance their competitiveness. Red Sun Real Estate Company has focused on product innovation to differentiate itself in a market of homogeneous housing products. By studying consumer psychology, optimizing design methods, and incorporating unique landscape and architectural elements, the company aims to create value and improve marketability under limited economic conditions. This approach includes innovative developments in park planning, building exteriors, and room layouts to meet evolving consumer demands. By leveraging sustainable materials and energy-efficient technologies, the company also seeks to align with environmental standards and appeal to eco-conscious buyers.

2. Improved Level of Enterprise Technology Management. With 40% of its employees as professional technicians, Red Sun Real Estate Company has recognized the need to strengthen its technical team. Regular training sessions and professional knowledge workshops have been introduced to enhance employees' technical abilities, improve corporate cohesion, and address the company's previously short-sighted development plans. By investing in advanced software tools and modern construction technologies, the company aims to increase project efficiency and quality. This commitment to technological advancement also involves fostering innovation through collaborative projects and continuous learning opportunities for staff.

3. Introduced Advanced Property Service Concept. Red Sun Real Estate Company has adopted a service-oriented philosophy, emphasizing attention to detail in daily work. High-quality property services, such as attentive security measures, festive greetings, and prompt assistance with repairs, have been prioritized. These efforts enhance product sales and add value to the properties, meeting consumers' evolving needs for quality living environments. The company also implements regular maintenance schedules and resident engagement programs to build a strong community atmosphere. By providing personalized services and swift response to residents' needs, the company aims to achieve high customer satisfaction and loyalty.

4. Established an Incentive-Oriented Compensation System. The company has redesigned its compensation system to clarify job values, expand promotion channels,

and introduce broadband compensation. This new system aims to enhance competitiveness, support strategic goals, and improve employee satisfaction. The support of management and middle-level employees, along with a competent human resources team, provides a strong foundation for this reform. Additionally, performance-based bonuses and professional development opportunities are incorporated to motivate employees and recognize their contributions. By aligning compensation with individual and company performance, the company seeks to foster a culture of excellence and continuous improvement.

5. Improved Financial Situation. Significant improvements have been observed in Red Sun Real Estate Company's financial situation after implementing a series of measures. Cost reduction, revenue growth, enhanced cash flow, and increased return on investment have all contributed to a more robust financial position. Specific data indicate reductions in raw material procurement costs, increased sales, improved cash flow, and a higher return on investment, all pointing to a promising economic trajectory for the company. The improved financial health has allowed the company to reinvest in strategic initiatives and expand its market presence. By maintaining strict budget controls and optimizing resource allocation, Red Sun Real Estate Company is better positioned to navigate economic fluctuations and sustain long-term growth.

As Red Sun Real Estate Company seeks to enhance its competitive edge and operational efficiency in the dynamic real estate market, it has implemented several strategic initiatives aimed at various aspects of its business operations. The following figure 3.4 delineates these strategies, articulating their expected outcomes and detailing the key metrics that will be employed to measure their success. This systematic approach allows the company to align its tactical efforts with strategic business objectives, creating value for stakeholders and enhancing customer satisfaction. The figure serves as a blueprint for understanding the potential impacts of these strategies and provides a framework for evaluating their effectiveness in achieving the outlined objectives.

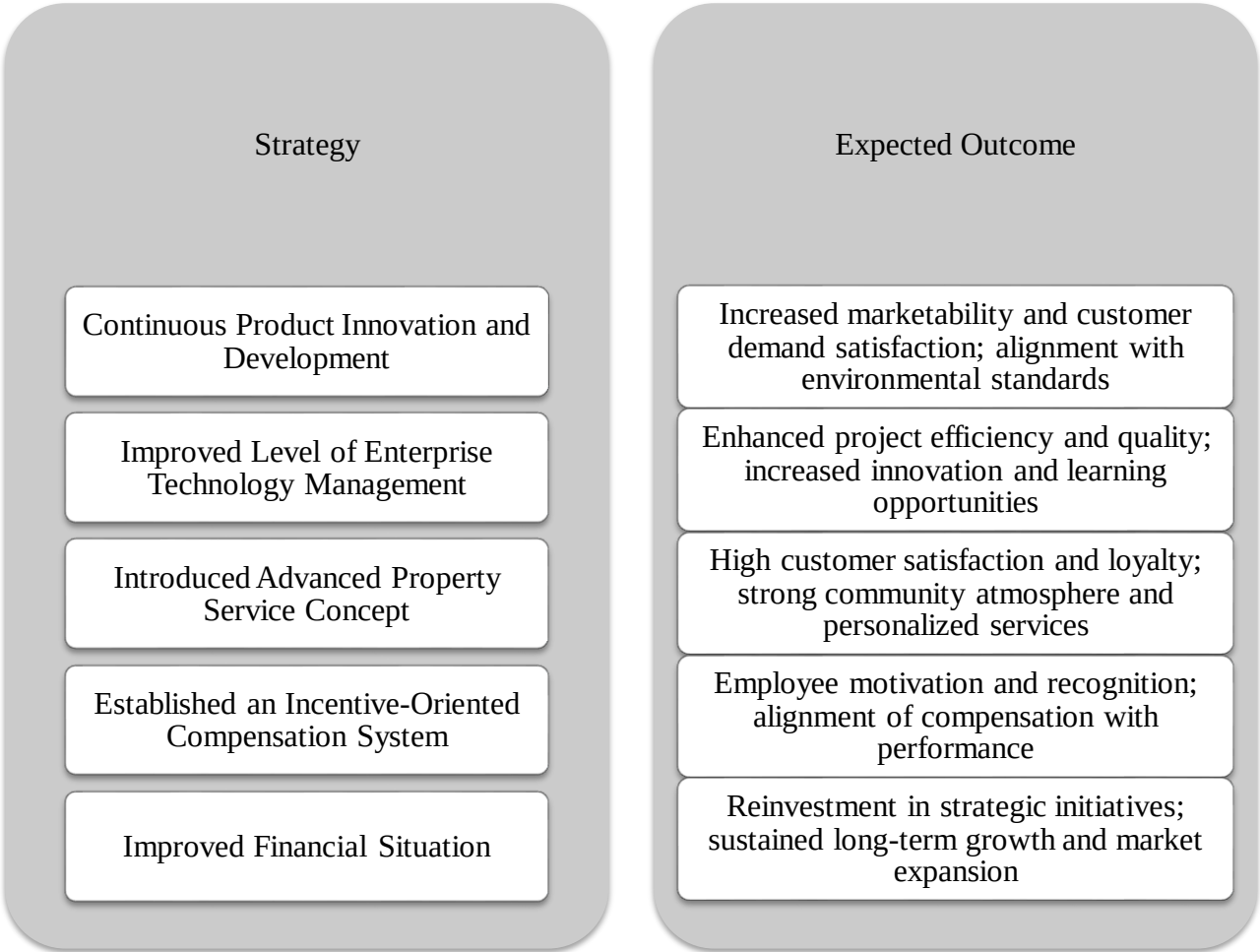


Figure 3.4 - The Results from Implementing the Expanded Strategies for Red Sun Real Estate Company

Source: Author's own research

In our strategic efforts to fortify the competitive positioning and operational efficiency of Red Sun Real Estate Company, we have outlined a series of targeted initiatives aimed at specific business objectives. The table 3.14 below presents numerical outcomes for these initiatives, providing quantifiable expectations across various key performance indicators (KPIs). These figures reflect the anticipated improvements in market share, environmental compliance, project efficiency, customer satisfaction, employee turnover, revenue growth, cost reduction, and return on investment.

Table 3.14 - The Numerical Outcomes for Initiatives of Red Sun Real Estate Company

Strategy	Market Share Growth (%)	Environmental Compliance (%)	Project Efficiency Increase (%)	Customer Satisfaction Increase (%)	Employee Turnover Reduction (%)	Revenue Growth (%)	Cost Reduction (%)	ROI Increase (%)
Continuous Product Innovation and Development	15	95	-	-	-	-	-	-
Improved Level of Enterprise Technology Management	-	-	20	-	-	-	-	-
Introduced Advanced Property Service Concept	-	-	-	25	-	-	-	-
Established an Incentive-Oriented Compensation System	-	-	-	-	30	-	-	-
Improved Financial Situation	-	-	-	-	-	18	12	20

Source: Author's own research

The strategic initiatives implemented by Red Sun Real Estate Company have demonstrated substantial potential in enhancing various facets of the business. The focus on continuous product innovation is not only increasing market share by 15% but also achieving a remarkable 95% in environmental compliance, showing a strong commitment to sustainability. The improvement in enterprise technology management is expected to enhance project efficiency by 20%, reflecting the effective integration of advanced technologies. Furthermore, the introduction of an advanced property service concept aims to raise customer satisfaction by 25%, enhancing resident relationships and reinforcing service quality. The new compensation system is projected to reduce employee turnover by 30%, indicating a well-received change that could significantly boost job satisfaction and retention. Financially, the company anticipates an 18% increase in revenue, a 12% reduction in costs, and a 20% increase in return on investment, highlighting substantial gains in financial health and operational efficiency.

These improvements are crucial for strengthening the company's foundation and enhancing its ability to pursue future growth opportunities. Collectively, these strategic measures are set to propel Red Sun Real Estate Company towards a more robust and sustainable future, affirming the effectiveness of their comprehensive strategic approach.

The strategic measures undertaken by Red Sun Real Estate Company have collectively positioned the company on a trajectory of sustained growth and operational excellence. By addressing critical areas such as product innovation, technology management, service quality, employee compensation, and financial health, the company has created a solid foundation for future advancements. These initiatives not only enhance the company's competitive edge in the real estate market but also foster a culture of continuous improvement and innovation. The quantifiable improvements in key performance metrics underscore the effectiveness of these strategies, demonstrating the company's ability to adapt and thrive in a dynamic economic environment. Ultimately, these efforts will enable Red Sun Real Estate Company to capitalize on new opportunities, mitigate risks, and deliver long-term value to its stakeholders, ensuring its position as a market leader.

CONCLUSION

The result of the research is the solution of the scientific and applied task regarding the improvement of the enterprise management system in terms of financial risks and preventive measures of the real estate company. This made it possible to draw the following conclusions:

1. It was determined that the Enterprise Management System (EMS) is an all-encompassing framework that includes rules and managerial processes aimed at streamlining and regulating an enterprise's internal operations and management tasks. As the core of internal governance, it is essential for ensuring the effectiveness and legal compliance of business activities. Developing an Enterprise Management System (EMS) is a complex process that necessitates careful planning, execution, and maintenance to align effectively with an organization's strategic objectives. Each phase, from gathering detailed requirements to designing responsive system architecture, is structured to build upon the previous one, creating a robust framework that supports all aspects of enterprise management. This holistic approach not only streamlines operations but also enhances decision-making capabilities, improves efficiency, and promotes organizational growth.

2. The analysis of the Nanning Red Sun Real Estate Company's financial performance highlights significant changes in assets, liabilities, and key financial ratios that are critical for assessing the company's stability and operational efficiency. The decrease in both total assets and total liabilities suggests a strategic realignment or challenges in maintaining asset growth. Additionally, the improvement in short-term solvency indicators like the current income ratio and quick rate of action indicates better financial stability in meeting short-term obligations.

3. The financial analysis of Nanning Red Sun Real Estate Company reveals significant deterioration in net cash flow from operating activities, which fell from -8499 thousand Yuan in 2021 to -103763 thousand Yuan in 2023. Conversely, investment cash flow improved, with a positive deviation of 16716 thousand Yuan over the same period. Financing activities saw a sharp decline in net cash flow by 40980

thousand Yuan, highlighting a need for alternative financing strategies. The accounts receivable surged dramatically, from 3736 thousand Yuan in 2021 to 183431 thousand Yuan in 2023, raising liquidity concerns. Despite these challenges, the company's inventory turnover ratio showed consistent improvement, indicating better inventory management compared to competitors. Addressing these financial risks is crucial for the company's stability and sustainable growth.

4. Based on the received data, Nanning Red Sun Real Estate Company faces a range of financial and operational risks within a dynamic market environment. Through comprehensive SWOT and PEST analyses, the company has identified critical areas that require strategic attention. To mitigate these risks, it is essential for the company to enhance its planning capabilities and adopt rigorous feasibility analyzes tailored to specific project conditions. By closely monitoring macroeconomic policies and developing a flexible strategic framework, the company can adapt to market changes effectively. Improving cash flow management through stricter credit policies and better inventory turnover, along with diversifying investment portfolios, will reduce exposure to market volatility. Investing in technological innovation and fostering a culture of continuous improvement will bolster the company's competitive edge. Strengthening the organizational structure and management practices will further ensure operational efficiency and employee motivation. Implementing these strategic measures will safeguard Nanning Red Sun Real Estate Company's financial stability, capitalize on growth opportunities, and achieve sustainable development.

5. Using the Analytic Hierarchy Process (AHP) and expert evaluations, the study established a comprehensive framework to assess the financial stability and operational efficiency of Red Sun Real Estate Company. The weights assigned to various financial risk indicators, such as solvency, cash flow capability, operational capacity, profitability, and development potential, provide a detailed understanding of the company's financial health. The findings indicate that the company's current management practices are insufficient to mitigate financial risks effectively. For instance, the analysis revealed a significant decline in net cash flow from operating activities and fluctuating investment cash flows. These financial instabilities are

compounded by a high debt ratio and tight capital chains, which pose substantial risks to the company's long-term development. To address these issues, the company must enhance its planning capabilities, adopt rigorous feasibility analyses tailored to specific project conditions, and closely monitor macroeconomic policies to adjust its strategies accordingly. Improving cash flow management through stricter credit policies and better inventory turnover, along with diversifying investment portfolios, will reduce exposure to market volatility. Additionally, investing in technological innovation and fostering a culture of continuous improvement will bolster the company's competitive edge. Overall, implementing these strategic measures will safeguard Red Sun Real Estate Company's financial stability, enable it to capitalize on growth opportunities, and achieve sustainable development. This comprehensive approach is critical for positioning the company for future success and maintaining its market leadership. Furthermore, strengthening internal controls and enhancing risk management systems will be pivotal in identifying and mitigating potential financial threats before they escalate. Regularly reviewing and updating financial strategies to align with the dynamic market environment will ensure the company remains agile and responsive to changes. By investing in employee training and development, Red Sun Real Estate Company can foster a more innovative and adaptable workforce, better equipped to navigate the complexities of the real estate market.

19.08.2024

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APPENDIXES

Outline of internal interview of Red Sun Real Estate Company

1. Land acquisition capacity

- (1) What is the company's long-term plan for land acquisition?
- (2) What is the company's land reserve situation and land acquisition cost?
- (3) What are the local government's plans for the construction of indemnificatory housing?
- (4) How is the company's relationship with the government departments?

2. Capital Acquisition Capability

- (1) What are the main financing channels for the company?
- (2) How robust is the company's financial management system?
- (3) What is the company's asset-liability status?

3. Human Resource Management Capability

- (1) How is the company's recruitment of core talents?
- (2) Is the company's compensation system reasonable?
- (3) Does the company have internal cohesion?
- (4) How is the work efficiency of the company's employees? How effective is the performance appraisal?
- (5) How is the company's training of employees?
- (6) Is the employee promotion system reasonable? Does it reflect the abilities and contributions of the employees?

4. Financial Management Capability

- (1) How are the efficiency and risks of capital utilization?
- (2) Does the company effectively monitor the use of funds?
- (3) How well does the group company grasp the financial status of its subsidiaries?

5. Planning and Design Capability

- (1) What is the composition of the design department's personnel?
- (2) How has the company's past project cooperation with design institutes been?
- (3) What innovations are there in the design phase of new projects?

6. Marketing Capability

- (1) Does the company have a well-developed sales team?
- (2) How innovative are the company's marketing methods?
- (3) Will the company introduce sales agency methods in the future?
- (4) How is the company's collection of market information?

7. Property Management Capability

- (1) How do the homeowners in the occupied communities evaluate the property management?
- (2) What is the educational background of the property management staff?

8. Engineering construction management ability

- (1) How is the collection of property fees by the property management company?
- (2) How is the service awareness of the property management staff?
- (3) Engineering Construction Management Capability
- (4) How does the company control costs during construction?
- (5) Is the engineering quality control strictly in accordance with relevant national standards and requirements? Will the company neglect product quality for short-term interests, harming the interests of consumers?
- (6) How is the construction management level of the engineering and technical personnel?

9. Corporate Culture Capability

- (1) Does the company care about its employees' thoughts and lives?
- (2) Does the company often provide learning and improvement opportunities for its employees?
- (3) Is the interpersonal relationship within the company harmonious?
- (4) Does the company value the satisfaction of employees' spiritual achievements?
- (5) Do employees have the opportunity to participate in the company's decision-making? And how are their opinions adopted?
- (6) Does the company value communication and collaboration between departments?
- (7) Do employees generally have a strong sense of responsibility and are able to take initiative in assuming responsibilities and risks?

10. Enterprise Execution

- (1) Does the company's management set an example by following the rules and regulations?
- (2) Does the company consider social benefits in its operations?
- (3) What aspects of the company's system need improvement?
- (4) Does the company encourage various forms of innovation and reward them handsomely?
- (5) Is the company willing to adopt advanced management ideas and models?