Research on Enterprise Economic Risk Management Strategies under the Downward Economic Trend

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Abstract. With the economic downturn, the prosperity of most industries in the market is relatively declining, and the demand is weakened. This will not only make it more difficult for enterprises to sell their products and slow down the speed of fund recovery, but also slow down the speed of collecting funds such as accounts receivable, thus bringing challenges to their own management. In modern enterprise management, enterprise economic risk management occupies an extremely important position, and the significance of economic risk management to maintaining enterprise capital chain is gradually revealed. The management of enterprises should also keep pace with the development of economy. Only in this environment, we can grasp the future development trend of economy and constantly adjust the management mode of enterprises to keep pace with the times. This paper analyzes and studies the problems of enterprise economic risk management under the downward pressure of economy, and puts forward corresponding strengthening strategies.

Keywords: Enterprise, Economic Risk, Risk Management, Economic Downturn.

1. Introduction

At present, the overall market environment in China is relatively good, which can create a good external environment and favorable development conditions for the operation and development of enterprises. Economic downturn is an inevitable trend after a country has experienced high-speed growth. After a long-term high-speed growth, China will also enter a medium-speed growth stage, which will definitely have a far-reaching impact on the development of enterprises [1]. The management of enterprises should also keep pace with the development of economy. Only in this environment, we can grasp the future development trend of economy and constantly adjust the management mode of enterprises to keep pace with the times. At the same time, enterprises should rely on their own strength, strengthen the research on management mode and management system, find out the weak links and improve them, perfect and establish new economic management systems and systems, improve their competitiveness, and then achieve stable and healthy development.

2. The influence of economic downward pressure on enterprise economic risk management

Compared with the economic upswing period, there is a great downward pressure on the economy today, which makes enterprises more prone to some risks, such as bankruptcy caused by the lack of capital chain, credit risk of enterprises, etc. Such risks will cause many enterprises to close down, and even make a certain field face a wave of bankruptcy. The market plays an important role in regulating the social economy, and the development of the social economy can usually be reflected through the market. Therefore, the economic downturn can bring different degrees of influence to enterprises through the market [2]. With the acceleration of the economic downturn, the operating efficiency of enterprises in the market is gradually declining, and the market demand for production industries is decreasing. The focus of economic risk management lies in prevention, that is, to create a good internal control environment for enterprises through a sound internal control mechanism for enterprise capital management, so as to fill all kinds of capital security loopholes and prevent enterprise capital risks.
Enterprises are the cells of the market economy, and will inevitably be affected by economic development. The economic downturn will affect enterprises through the "invisible hand" of the market. With the economic downturn, the prosperity of most industries in the market is relatively declining, and the demand is weakened. This will not only make it more difficult for enterprises to sell their products, but also reduce the speed of fund recovery, and the speed of withdrawing funds such as accounts receivable will also slow down, thus bringing challenges to their own management [3-4]. Therefore, enterprises should actively abandon the traditional management concept, pay more attention to economic management, correctly understand the important role of economic management in enterprise internal risk control and business development, and check and fill the gaps in the original system to promote the innovation and development of enterprise management mechanism, so as to improve the economic management level of enterprises.

3. Causes of enterprise economic management risk

3.1. Economic management concept lags behind

Risk assessment mainly consists of two parts: one is the probability of unexpected events; Second, once the incident happens, the severity of its consequences or the size of the losses caused. In this way, in order to evaluate the risk, it is necessary to have a more accurate estimate of the severity of the future results and the probability of their occurrence. Affected by the downward trend of economy, enterprises are faced with greater risks in the process of capital circulation, and the cost of using funds is also increasing. Therefore, enterprise managers should have a strong concept of risk and time [5].

In this process, some enterprises ignore the importance of economic management for the long-term development of enterprises, and some managers lack innovative spirit, and the management concepts adopted are lagging behind, so they cannot meet the requirements of the development of the times, and enterprises are easily eliminated by the market.

3.2. Financial decision-making mistakes

Because the economic management itself has strong systematicness and complexity, we must strictly follow the process requirements of economic management and adjust the economic management strategy in combination with the actual operation and management of enterprises [6]. In the process of enterprise's actual operation and management, financial decision-making has a decisive influence on the development direction of enterprises. However, considering the actual situation, many enterprises are easily influenced by subjective factors in the process of financial decision-making, which leads to the deviation of decision-making from the actual situation of enterprises, and the mistakes in financial decision-making will eventually increase the probability of enterprises encountering risks.

3.3. The early warning mechanism of economic management risks is not perfect

The biggest problems faced by enterprises are the lack of basic data, the difficulty in collecting external information, the lack of authority of available data, and the lag in the construction of internal information database, which seriously affects the practice of advanced risk management technology and restricts the ability of risk early warning with objective data. At present, the intelligence level of the information system is not high, and there are many defects, such as the inability to accurately identify enterprises, the difficulty in covering customers' full-caliber credit assets, and the lack of some data. As a result, in the case of a small number of quality credit business and risk management personnel, there are often discontinuous, inconsistent and meticulous monitoring of various risk links in the credit process, which seriously affects the whole process management of enterprise economic management risks.
3.4. Lack of professional management talents

The challenges and risks brought by the economic downturn are gradually emerging, and more and more enterprises are facing various financial risks. Most enterprises begin to realize the importance of enterprise economic risk management, but there are still many problems in actual management [7-8]. Economic risk management requires managers to be proficient in finance, law, bonds, stocks and other related knowledge, but in actual management, most managers are accounting majors, and the knowledge they have learned is only accounting-related, lacking the ability to identify, analyze, evaluate and prevent financial risks, and they are not competent for economic risk management.

4. Economic risk management strategy of enterprises under the downward trend of economy

4.1. Raise awareness of economic risk management

The typical performance of the impact of economic cycle on economic management risk is that the default rate will change with the change of economic cycle. When the economy is in recession, the decline of the borrower's operating ability and insufficient solvency will lead to the increase of the borrower's possibility of default. When the economy is expanding, the situation is just the opposite. It is necessary to innovate the concept of enterprise economic risk management, unify understanding, strengthen the awareness of enterprise economic risk management, establish a comprehensive concept of enterprise economic risk management, strive to implement the concept of economic risk management in the enterprise capital risk calendar, and create a good economic risk management environment within the enterprise.

At the same time, enterprises should clearly grasp the use process of all kinds of funds and comprehensively strengthen the operation supervision of funds in order to give full play to the value of funds. Secondly, the enterprise should comprehensively and systematically integrate all kinds of data formed in the process of production and operation, so as to truly reflect the business status of the enterprise, and then provide reliable data information for the leadership and management of the enterprise, adjust the development plan in time, and ensure the scientificity and feasibility of various business management planning schemes.

4.2. Analysis of perfecting the business environment of enterprises

Analyze and evaluate China's overall economic environment, policy and legal environment and industrial policy. Enterprises are more sensitive to the macro-economic environment than large enterprises. The development direction of enterprises is determined by the possibility and conditions of the realization of institutional arrangement in the middle. The competitiveness of enterprises and their position in the industry are often at the edge of the industry, and the competitive situation of the industry has a great impact on their survival and development. Sending some will have a very direct impact on the development space and prospects of enterprises.

There are differences in the level of economic development, the natural resources owned by different places, and the government's economic development strategy and regional policies and regulations. Compared with large enterprises, enterprises are often more dependent on the external environment, and geographical and economic environment and economic location factors will have a stronger impact on them. Therefore, it is necessary for follow-up enterprises to introduce non-financial indicators, identify risks and judge risks from as many angles and dimensions as possible, and take timely measures to avoid risks.

4.3. Improve the risk early warning mechanism

Economic risk early warning is to establish a comprehensive index system of risk assessment based on the principles of scientificity and comprehensiveness, pertinence and representativeness, and the
combination of qualitative indicators and quantitative indicators. On the basis of fully grasping all kinds of economic risk information, it will give an alarm to possible economic risk events in advance, and take corresponding preventive and adjustment measures to remedy or propose reasonable and effective solutions. The early warning system can not only give warning signals of risk levels, but also automatically generate risk prevention strategies.

The basic structure of early warning system consists of four parts: index system, early warning limit, alarm signal display and risk avoidance strategy [9]. The idea of online risk early warning is shown in Figure 1. The ultimate goal is to provide powerful scheduling decisions, improve the economy of system operation under the premise of ensuring the safe operation of the system, and make the system scheduling and market operation gradually optimal.

![Figure 1. Online economic risk early warning framework](image)

There are many types of economic risks faced by enterprises, and the impact is quite different. This requires managers to set corresponding grade indicators for different risks when formulating risk early warning mechanism, and divide the types, severity, harm types and influence scope of economic risks in detail, so that when risks come, effective control measures can be taken in time to control risks.

In the daily supervision work, managers need to systematically collect and integrate data and information, summarize the causes of each risk event, make up for the missing, further optimize the risk early warning mechanism, upgrade relevant systems and equipment in time, and constantly improve and enrich the risk early warning mechanism.

4.4. Improve the evaluation and supervision system of economic management innovation

The financial situation of an enterprise is closely related to internal control, and the quality of internal control plays an important role in the healthy development of the enterprise. In order to achieve the internal control objectives of enterprises, managers usually formulate a series of enterprise-oriented rules and regulations, whose main function is to restrain employees' personal behavior and keep their behavior within a reasonable range, thus ensuring the overall development of enterprises.

When carrying out economic management innovation, we can consider introducing relevant evaluation and monitoring systems to improve the innovation efficiency of economic management.
In the process of implementing economic management innovation, it is necessary to establish an effective economic management evaluation and monitoring mechanism, so as to continuously improve it and embark on the correct development track [10]. On the basis of the existing economic management institutions, enterprises can set up special fund management institutions or posts to supervise the capital flow of enterprises, build a perfect fund management risk early warning system, analyze and warn all kinds of capital changes, analyze the external environment changes and their possible impacts during the economic downturn, and formulate corresponding coping strategies.

4.5. Strengthen the cultivation of economic management talents

The risk response in enterprise economic management puts forward higher requirements for the professionalism of existing enterprise economic managers, which means that enterprises must increase the proportion of risk response personnel in the composition of the whole enterprise from the perspective of management. Enterprises must strengthen the risk awareness from top to bottom, emphasize the full penetration of risk awareness, and strengthen the risk awareness and crisis thinking of staff through necessary publicity, popularization and training.

On the basis of ensuring the orderly development of economic management, enterprises need to strengthen the training of economic management talents, devote themselves to building an economic management team with excellent professional quality, and provide necessary talent support for the development of economic management in enterprises. Absorb outstanding graduates from universities of finance and economics as much as possible, so as to strengthen the backbone of finance, and pay attention to carrying out safety concept education and professional ethics education for them to improve the quality of work, so as to support the development of enterprises financially and reduce the capital risk of enterprises.

5. Conclusion

Economic downturn is an inevitable trend after a country has experienced high-speed growth. After a long-term high-speed growth, China will also enter a medium-speed growth stage, which will have a far-reaching impact on the development of enterprises. The challenges and risks brought by the economic downturn are gradually emerging, and more and more enterprises are facing various financial risks. Most enterprises begin to realize the importance of enterprise economic risk management, but there are still many problems in actual management. Therefore, enterprises should be clear about the problems faced by economic risk management under the downward pressure of the economy, and implement effective countermeasures to deal with economic risk management, so as to continuously improve the level and efficiency of economic risk management and finally gain a dominant position in market competition.

References


