

## Reflections on the Financial Performance of Asset-Light Enterprises' Capital Operation

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**Abstract:** At present, traditional production and processing companies in China usually make profit by price competition or scale, brand effect, etc. However, in the development of transformation and upgrading, the enterprises will have a small advantage to make profit in this form and will face some hindrance. Therefore, how to get stronger profitability becomes an urgent problem for enterprises to solve. The asset-light management mode can bring a lot of profitability for the enterprise, which will create more value for the development of the enterprise. This paper discusses the financial performance of asset-light enterprises' capital operation from the aspects of capital operation status, role, existing problems and improvement countermeasures of asset-light enterprises so as to contribute to the healthy development of the company.

### 1. Operating Status of Asset-light Enterprises

Asset-light strategy refers to the enterprise's outsourcing of production and retail business to other companies. It focuses on the development of product design and marketing, etc. Market promotion is mainly based on celebrity endorsements and advertisements. Asset-light strategy can greatly reduce the company's costs, especially the large-scale fixed assets investment in the manufacturing area, to improve the return on capital.

Under the asset-light strategy model, whether it is a manufacturing enterprise or a listed company, the outsourcing of manufacturing business is a relatively common operation, which especially is a large challenge for manufacturing companies. That's because the manufacturing companies outsource manufacturing which they are best in to other companies. The company places great importance on the design exploitation and product promotion which it was not good at, which is a severe test for manufacturing companies. Of course, the impact is still not impressive for some listed companies that don't mainly focus on manufacturing business. The main purpose of asset-light enterprises to outsource their manufacturing operations is to reduce their investment in production costs. Therefore, outsourcing asset-light enterprises is to control manufacturing costs.

For some manufacturing companies, in the overall business process, they need to form a stable cooperative relationship with their upstream and downstream supply chains and partners. Therefore, it is necessary to adopt such pseudo-banking instruments as liabilities without interest to achieve this goal. Because the focus of the business with the upstream and downstream suppliers relates to purchase payables and sales receipt from downstream suppliers. The full use of this kind of liabilities can decrease interest expense. In addition, high leverage in capital can be used to make itself expand faster.

In addition to possessing the funds of other companies to decrease internal cost, they can use the internal financial technology to lend spare money to the upper and lower chain suppliers with interest, which is also a measure to increase the capital utilization. Of course, to better achieve such small loan business, it is necessary to strengthen the credit rating of the loan companies so that the funds can be safely recovered. The high loan interest is useless if there is little knowledge of loan companies which are untrustworthy or whose financial performance is bad.

The brand is not only an important symbol of a company's product, but also an essential manifestation of customers' recognition degree of the company. As long as the company has a reliable brand, it can attract more customers, so as to more effectively promote the expansion of the product market. At present, the hardest is not how to attract clients, but how to maintain these

existing customers. Therefore, it is important to increase customer loyalty, and the brand effect is a nice solution to this problem.

## **2. The Impact of Capital Operation on Financial Assets**

Expanding capital operation form mainly embodied in the asset light enterprises through mergers and acquisitions, restructuring and other ways to expand its economy, in order to achieve a certain return on capital, improve its competitive position in the market and purpose; Or sell a brand, or use your own management, technology, equipment and other related companies for joint ventures or cooperative ventures. The financial performance of asset-light listed companies will play a certain role in the implementation of expansionary capital operation.

The focus of contraction-type capital operation is reflected in the business outsourcing level, in other words, light assets transfer some of their own business to other enterprises' production and operation, thereby reducing their own scale, but they can achieve the goal of expanding market scale and improving competitiveness. In some outsourcing business, asset-light companies essentially move their lower-value-added links to other companies, thus reducing their own cost investment, thus promoting the specialization of labor and lowering the company's own operating risks play a very important role. A lot of facts have proved that the use of contracted capital operation can greatly promote the short-term profitability of the company.

Through the analysis of the impact of the two types of capital operation modes on the financial performance of the company, it can be seen that the light capital companies should combine the actual situation of the enterprise itself in the process of selecting the capital operation form, and any kind of operating mode can enhance the financial performance. Tencent, for example, took advantage of the company's strong information technology, and conducted mergers and acquisitions for companies with poor capital allocation, so as to achieve the goal of decreasing expansion costs. Of course, in the actual business process, it must be realized that all forms of soft capital management may also have a negative effect on financial performance. Therefore, it is necessary in order to improve and perfect various forms of capital management.

## **3. Insufficient Assets Operation**

For some manufacturing companies, they are generally divided into many different departments during normal business operations. Each department has a different division of labor, responsibilities, and performance and profitability requirements. When comparing different sectors of light asset companies, it can be seen that outstanding and weak sectors are very obvious. The disadvantages of some departments are even more prominent, and there is still a considerable gap between the pace of development of the overall enterprise and adverse impact on the enterprise. If no adjustment is achieved in time, it will certainly hinder the healthy development of the company.

Through the analysis of the current status of asset-light enterprise operations, it is found that companies apply financial instruments and non-interest-bearing liabilities to the corresponding production and business activities of enterprises. This department's responsibilities and investment will have certain adverse effects on the evaluation of the company's current ratio. This is very unfavorable for the long-term development of the company and will increase the likelihood of corporate lending. On the other hand, investing in companies with poor credit and related upstream and downstream business will also have a significant impact on the company's fund recovery rate, which will greatly increase the company's risk.

As is known to all, asset-light enterprise operations are usually targeted at intangible assets, while manufacturing core blocks such as fixed assets and inventory are not highly concerned. Therefore, insufficient investment in fixed assets leads to high inventory and low operating efficiency, which will lead to the lack of vitality of the whole company and influence the development of the company.

#### **4. Strategies**

In order to adjust the defects of some lower departments, the enterprise should decentralize the management personnel and make bold innovation and reform. On the other hand, it is possible to reduce investment and sell assets and businesses of the weak sectors so as to optimize the structure of various industries and enhance the competitiveness of enterprises. Of course, companies that do not have the expertise or profitability will be sent to other companies to do business.

In general, traditional manufacturing companies are more focused on asset management, that is to say, they need to make investments large amounts of capital in fixed assets. This forces companies to require huge amounts of capital as their mainstay, but often the return cycle is very long and it is difficult to see them in the short term. Profit effect. Therefore, when traditional manufacturing enterprises will easily adopt the form of light asset operations, the company will be further expanded through the form of financial instruments and liabilities. However, the company's asset-liability ratio is precisely proportional to the corporate finances. Therefore, if the communal debt is too high, the hidden financial risk will be greater. If an enterprise wants to develop healthily, it is necessary to control the debt ratio and improve its capital structure so as to further reduce its fiscal risks.

On the other hand, many manufacturing companies are making interest-free liabilities through upstream and downstream suppliers and distributors. For this type of loan relationship that is completely based on reciprocal transactional interests, there is great uncertainty, once the relationship is broken or broken. , It is not difficult to bring greater financial risks to the company. To reduce this financial risk, manufacturing companies can adopt multiple forms of financing to diversify the company's financial risks, such as cooperation with venture capital investment funds and other channels to achieve financing. The goal of.

According to the analysis of the company's operating efficiency is low, can improve the turnover of funds, reduce the number of inventory, reduce the amount of money should be restored, it can improve the operating efficiency of the company. Without any impact on the development of the enterprise, the development of new projects should be minimized to ensure that the company has more circulating capital, which will not lead to financial crisis in the company's capital chain.

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