Research on Risk Control Management and Strategies of Listed Companies

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Abstract: This paper conducts an in-depth discussion and research on the strategies of venture capital, financing, and risk control management of listed companies, aiming at proposing a set of effective management strategies to cope with the uncertainties and risks in the market. The comprehensive use of literature method and case study method elaborates the current situation and problems of listed companies in venture capital, financing, and risk control, and puts forward corresponding solutions. The results of the study will help listed companies to improve their risk management, enhance their market competitiveness, and provide investors with a more robust and sustainable investment environment. Meanwhile, this study also provides useful references and insights for research in related fields.

1. Introduction

With the deep integration of the global economy and the continuous development of the capital market, listed companies are facing increasingly complex and changing economic environment and market challenges. In this context, venture capital, financing activities and risk control management have become the indispensable core in the operation and development of listed companies, which are not only related to the flow of funds and strategic planning of the company, but also the key factors determining the competitiveness of the company and have a far-reaching impact on the promotion of the company to the path of sustainable development. Venture capital, as an important means for companies to expand their business and seek new growth points, can help companies quickly capture market opportunities and realize leapfrog development. Financing activities, on the other hand, are the basis for the Company to obtain funds to support its daily operations and long-term development. Risk control management is the key to maintaining stability and avoiding risks in the ever-changing market environment.

It is of great significance to enhance the company's competitiveness and realize sustainable development. However, there are still many problems and bottlenecks in venture capital, financing, and risk control management of listed companies at present, which need to be studied and solved in depth. How to make more effective venture investment, optimize financing structure and strengthen risk control have become important issues in front of company managers.

This study will explore these issues in depth, aiming to reveal the current situation of venture capital, financing, and risk control management of listed companies and where their bottlenecks lie, and based on this, put forward targeted management strategies and suggestions. It is expected to provide strong theoretical support and practical guidance for listed companies to improve their
venture capital, financing and risk control management and realize sustainable development.

2. Literature Review

2.1 Literature development of venture capital management

In terms of foreign research, scholars mainly focus on investment strategy, exit mechanism and risk control. For example, Alekseeva studied the investment strategy and exit mechanism of venture capital institutions in depth, and the discovery concluded that the experience and network resources of investment institutions are crucial to investment success, they pointed out that venture capital institutions need to identify potential innovative enterprises for investment through rich industry experience and extensive network resources, and at the right time through listing, equity transfer and other ways to achieve exit in order to obtain returns; foreign scholars Chowdhury conducted a study on the impact of venture capital, they found that venture capital can improve the innovation input and innovation output of listed companies in the GEM board, and these VC institutions not only provide financial support during the investment process, but also through the introduction of strategic resources, optimization of the governance structure. They found that VCs provide financial support in the investment process, also promote the innovative development of invested enterprises by introducing strategic resources and optimizing the governance structure[1-2].

In terms of domestic research, Shi Guoping conducted an in-depth analysis of SOEs, and the main study proved whether SOEs' venture capital can cultivate innovative entrepreneurial enterprises, and analyzed its potential mechanism through empirical research, and the conclusion showed that SOEs' venture capital can cultivate entrepreneurial enterprises' innovation; Pan Huanming found that the effective integration of state-owned and private capital can build a more complete and innovative investment model by comparing venture capital investment modes of each representative country. They found that the effective integration of state-owned capital and private capital can build a more complete venture capital system. Wu Chaopeng et al. compared the investment of the government and other venture capital institutions, and found that after the introduction of government-guided fund-type venture capital institutions, the number and quality of inventions and patents in the field of key core technologies of the enterprise have been substantially improved compared with that of the pre-financing period[3].

2.2 Financing management literature development

In terms of foreign research, the research of foreign scholars on the financing management of listed companies mainly focuses on the financing structure, financing costs, financing channels, etc. Kusano studied the relationship between the financing structure of listed companies and the value of the company and found that a reasonable financing structure can improve the value of the company. They pointed out that listed companies need to choose an appropriate financing structure, including the ratio of equity financing and debt financing, according to their own operating characteristics and market environment, in order to maximize the value of the company; Eisfeldt conducted an extensive study on the financing cost of listed companies, and they found that the financing cost of listed companies is affected by a variety of factors, including the company's credit rating, the market interest rate, macroeconomic environment, etc. Listed companies need to reduce information asymmetry and risk by optimizing their financial position and governance structure, to reduce financing costs and improve financing efficiency[4-5].

In terms of domestic research, domestic scholars pay more attention to the issues of financing constraints, financing efficiency and financing strategies of listed companies, and through empirical research, domestic scholars have found that supply chain finance has a significant mitigating effect
on the financing constraints of listed companies. Li Weiqun studied the impact of supply chain finance on the financing constraints of listed companies and concluded that supply chain finance can reduce the company's financing cost and improve the financing efficiency, which suggests that listed companies can alleviate the financing constraints and realize the sustainable development by establishing a good cooperative relationship with the supply chain partners, and utilizing the innovative financing methods such as supply chain finance; Tian Meng researched the effect of corporate studied the impact of the internal accounting system on financing management, and further analyzed the direction of the construction of the internal accounting system of manufacturing enterprises based on the requirements of financing management; Wu Xiongxia analyzed the financing process of state-owned enterprises, and found that there are a series of financial management problems such as a single financing structure, numerous financial risks, and inadequate budget management, etc., and that state-owned enterprises need to solve problems in a timely manner to ensure sound operation and economic benefits. The state-owned enterprises need to solve the problems in time to ensure sound operation and economic benefits [6].

2.3 Wind control management literature development

In terms of foreign research, foreign scholars mainly focus on risk identification, risk assessment and risk response. Callimaci studied the construction and implementation of enterprise risk management system in depth and concluded that a perfect risk management system can significantly reduce the various risks faced by enterprises, and they emphasized that listed companies need to establish a perfect risk management institutions and systems to comprehensively manage the various risks faced by enterprises through risk identification, assessment, monitoring and response; Birsel (2016) used a variety of methods and techniques to conduct empirical research, and carried out risk assessment based on big data and artificial intelligence technology, which provides listed companies with a more scientific and accurate risk assessment method, and helps enterprises better understand and respond to potential risks [7].

In terms of domestic research, domestic scholars pay more attention to the internal control of listed companies and financial risk early warning, etc. Through empirical research, domestic scholars have found that high-quality internal control can significantly reduce the financial risk of listed companies, Shi Yanping investigated the impact of the quality of internal control on the financial risk of listed companies and verified this point of view. They pointed out that listed companies need to establish a sound internal control system, strengthen internal auditing and risk management to ensure the accuracy and compliance of financial reports and reduce financial risks; Huang Liang studied the risk response strategies of listed companies, and they explored the strategies and methods that listed companies should adopt in the face of different risks, such as risk avoidance, risk transfer, risk mitigation and risk acceptance etc [8].

2.4 Literature Review

Through the literature review of the research on venture capital, financing, risk control management and strategy of listed companies at home and abroad, we can draw the following insights:

1) listed companies need to establish a perfect risk control management system to reduce all kinds of risks faced by enterprises by comprehensively identifying and evaluating potential risks and formulating corresponding risk response strategies for risks in the market, operation, finance, etc., such as clarifying the structure of the risk management organization and the division of responsibilities.

2) When formulating financing strategies, listed companies need to consider the company's
financial situation, market environment, business needs and other factors to choose appropriate financing methods and financing structures, reduce financing costs and improve financing efficiency [9].

3) Listed companies can obtain more financial support and resource integration opportunities by cooperating with venture capital institutions and introducing strategic investors, and they can also cooperate with the government to obtain stable investment from the government to ensure the long-term development of the company and utilize the funds to promote the innovation and development of the company.

4) Listed companies need to strengthen the construction of internal control and governance structure. The internal control is an important part of the risk management of listed companies, should be clear at all levels of management and staff duties, and resolutely opposed to the workplace oversteps. Managers should hand over professional matters to professional people, ensure the compliance of the company's business activities and the effectiveness of risk control, improve the accuracy and compliance of financial reports, reduce financial risks and legal risks, and enhance investor confidence and market competitiveness.

5) Listed companies can make use of big data, artificial intelligence and other new technological means, machine algorithms to help the company optimize its analysis, enhance its data analysis and prediction capabilities, improve the accuracy and efficiency of risk identification and assessment, and realize the digitization and intelligence of risk management.

3. Status quo and bottlenecks in risk management of listed companies

In recent years, more and more well-known venture capital institutions have begun to enter the Chinese market and cooperate with listed companies to jointly promote the development of the venture capital market. These institutions have rich investment experience and resource networks and are able to provide professional investment services and support to listed companies (Figure 1).

![Data from Ranging the Wind into the Moon 2023](image)

3.1 Status of Financing for Listed Companies

3.1.1 Financing channels and methods

By the end of 2023, the number of listed companies in China's domestic stock market reached 5346. At present, there are six main financing channels and methods for listed companies, specifically equity financing, bond financing, asset securitization, supply chain finance, government subsidies and tax incentives, and introduction of strategic investors [10].

These listed companies have adopted diversified strategies in financing to support their business development and expansion. Equity financing is the most common financing method used by listed companies, who raise funds by issuing shares, including public offering, directional issue, share
placement, etc., for expanding business scale, repaying debts, and making new investments. Compared with equity financing, debt financing is less risky. Companies raise funds by issuing bonds or obtaining bank loans. Although it requires payment of fixed interest, it provides a stable source of funds for the company.

Asset securitization is also an innovative financing method whereby listed companies convert their assets into tradable securities, such as asset-backed securities (ABS), to obtain funds at a lower cost, increase the liquidity of assets and reduce financial risks. Listed companies utilize supply chain financial products for financing through cooperation with supply chain partners, a method that can improve the company's cash flow position, reduce operating costs, and enhance supply chain stability. Government subsidies and tax incentives are the lowest-risk financing methods pursued by all companies. Listed companies may obtain financial support by applying for government subsidies and enjoying tax incentives, etc., which can be used for R&D and innovation, expanding production, and upgrading technology (Figure 2).

![Figure 2: Incentive Policies for Listed Companies in Selected Cities in China Source: Swift Capital](image)

The last one is the introduction of strategic investors. Listed companies obtain financial support and resource integration opportunities through the introduction of strategically valuable investors, who usually have industry-leading positions and rich resource networks and can bring long-term stable earnings and growth momentum to the company (Figure 3).

![Figure 3: Data from CNA, Equity financing is the most important financing channel and method for listed companies](image)

### 3.1.2 Financing cost and efficiency

Listed companies need to pay attention to two aspects of cost and efficiency in the process of financing:

The first one, financing cost, includes interest cost, issuance fee, intermediary fee, etc. The level of specific financing costs depends on factors such as the level of market interest rates, the company's
credit rating, and the scale of bond or stock issuance. Listed companies with higher credit ratings and higher market recognition can obtain lower financing costs. However, with the increasingly fierce competition in the financial market, some listed companies may choose high-cost financing methods, such as bonds or loans with high interest rates, to raise funds, which will increase the financial burden of the company and may even lead to financial risks.

The second one, financing efficiency, is mainly reflected in the time of fund availability and efficiency of fund utilization. Funding time refers to the length of time from the company's decision to raise funds to the time it obtains the funds, while the efficiency of funds utilization reflects the company's ability to use the funds raised to realize the expected returns. Ideally, a listed company should be able to obtain funds quickly at a reasonable cost and put them to efficient use to maximize earnings. However, in practice, it may be affected by a variety of factors, such as market environment, regulatory policies, internal management, etc., leading to inefficient financing.

3.2 Status of risk management of listed companies

3.2.1 Risk identification and assessment

With the continuous change of market environment and the strengthening of regulatory policies, listed companies gradually realize the importance of risk management and begin to incorporate risk management into their strategies and daily operations. Company managers have begun to establish risk management frameworks. They formulate risk management policies to ensure that there is a unified understanding and action guidelines for risk management across the company. Establishing a risk management organization ensures that there is a unified understanding of risk management and guidelines for action across the company. Defining the risk management process ensures that risk management can be carried out in an orderly and efficient manner. Based on risk identification, they use a combination of quantitative and qualitative methods to conduct risk assessment. Through the establishment of a risk assessment model, risks are quantitatively analyzed and ranked to determine risk priorities and countermeasures, providing a scientific basis for the company's decision-making. And in the process of risk identification and assessment, the Company focuses on summarizing lessons learned, continuously improving and optimizing risk management methods and tools, enhancing the accuracy and effectiveness of risk management, and ensuring that the Company is able to cope with various risk challenges.

3.2.2 Risk prevention and control

Based on the results of risk assessment, the listed company formulates risk prevention strategies, defines the objectives, principles and specific measures of risk prevention, which usually include risk avoidance, risk reduction, risk transfer and risk acceptance, etc., to comprehensively deal with various types of risks. In addition, listed companies establish a perfect risk management system. Risk management responsibility system is established to ensure that the company can cope with various risk challenges. Listed company formulate risk reporting system to ensure that risk information can be timely and accurately transmitted to relevant decision makers. They also formulate risk monitoring mechanism to conduct real-time monitoring and early warning of all kinds of risks to ensure the safety of the company's operation. These systems regulate the company's behavior in risk prevention and control and ensure the effective implementation of risk prevention. Listed companies improve their governance structure by strengthening the internal control system to ensure the scientific and compliance of the company's decision-making, standardizing business processes to reduce operational risks and internal fraud risks, and strengthening internal audit and other means to ensure the effectiveness and compliance of the Company's internal control system and reduce operational
risks and internal fraud risks. The Company has also established a risk management information system to realize real-time monitoring and early warning of various types of risks and improve the Company's risk response capability. 

3.3 Analysis of bottlenecks in risk management of listed companies

3.3.1 Challenges at the level of policies and regulations

One is the lag of laws and regulations. In emerging areas, such as Internet finance and technological innovation, the formulation of relevant laws and regulations often lags market development, resulting in listed companies facing legal gaps or unclear laws in venture capital and financing activities, increasing legal risks and compliance costs. Another is the non-uniformity of regulatory policies. Differences in regulatory policies among different regulatory bodies and regions have led to listed companies facing regulatory arbitrage and compliance risks when conducting venture capital investment and financing across regions or industries, and the non-uniformity of regulatory policies has also increased the compliance costs and operational risks of the company. The last one is the insufficiency of punishment. The current penalties for listed companies' violations in venture capital, financing and risk management are not severe enough to act as a deterrent, which may lead some companies to take chances, relax risk management and prevention and control, and increase the level of risk in the market.

3.3.2 Immature market environment

In some regions or industries, the investor structure is relatively single and lacks diversified investment subjects, which makes listed companies face the problem of limited investor choices in venture capital and financing and increases the difficulty and cost of financing (Figure 4).

![Investor Structure](image)

Figure 4: Data from China Securities Dealers

Moreover, the financial markets in some regions are relatively underdeveloped and lack diversified financial instruments and trading platforms, limiting the channels and methods of financing for listed companies. Meanwhile, the lack of liquidity in the financial market may also affect the efficiency and cost of financing for listed companies.

In addition, intermediary service organizations are imperfect. In the process of venture capital, financing, and risk management, listed companies need to rely on intermediary service organizations, such as investment banks, law firms and accounting firms. However, in an immature market environment, the professional level and service quality of these intermediary service organizations may vary, increasing the risks and costs of listed companies in venture capital and financing.
3.3.3 Unstandardized internal management of enterprises

There are deficiencies in the governance structure of some listed companies, such as irregularities in the operation of the board of directors and the supervisory board, and insufficient protection of shareholders' rights and interests, which may lead to a lack of effective supervision and constraints at the decision-making level on the company's venture capital, financing, and risk management strategies, and increase the risk of decision-making. Often, they may also have deficiencies in their internal control systems, such as inadequate internal audit systems and non-standardized risk management processes, etc., which increase the operational and compliance risks of the company's venture capital and financing processes and can affect the sound operation of the company.

Venture capital, financing and risk management need to be supported by a team of professional talents. However, talents basically choose regions and enterprises with better salaries and benefits. Some listed companies may lack talents with relevant professional knowledge and experience because they cannot compare with the benefits offered by other companies in the same industry, which leads to deficiencies in the company's risk assessment, decision-making and execution, and increases the difficulty of risk management. (Figure 5)

![Figure 5: Data from The Financial Sector, The education of key personnel of A-share listed companies is dominated by master's and bachelor's degrees](image)

In conclusion, there are still many problems in risk management of listed companies that need to be improved, and there is a long way to go to solve the risk management problems. In the general environment, there are many listed companies cannot change the defects, more should be managed within the company, from top to bottom to standardize the operation and prevent risks[15].

4. Listed companies risk control management strategy

4.1 Improve the risk management system

First of all, listed companies need to establish a set of comprehensive and forward-looking risk management strategy by taking into account their own business characteristics, the dynamic changes in the market environment and the guidelines of regulatory agencies. This strategy should not only define the long-term and short-term objectives of risk management, but also establish the basic principles, methods and core processes of risk management. This will provide fundamental guidance for risk management activities throughout the company.

Secondly, listed companies should set up a special risk management organization, clarify the responsibilities and authority of risk management at all levels, form an effective organizational structure for risk management, and strengthen the company's leadership and supervision of risk
management through the establishment of mechanisms such as a chief risk officer and a risk management committee.

Listed companies should also formulate a set of detailed risk management manuals and operational guidelines, specifying the specific requirements for each step of risk identification, assessment, monitoring, reporting and response. At the same time, in order to ensure the timeliness and effectiveness of risk management, the company should also establish an emergency plan to provide a rapid response mechanism for emergencies [16].

Finally, listed companies need to establish a set of scientific risk assessment and monitoring mechanisms, adopt advanced tools such as quantitative risk modeling and scenario analysis, and conduct comprehensive and in-depth assessments of the company's business, financial condition, and operating environment on a regular basis. This not only helps to identify potential risk points, but also accurately assesses the size and degree of impact of risks, providing powerful data support for the company's decision-making layer.

4.2 Strengthen the construction of risk early warning mechanism

Listed companies should establish a multi-level risk identification system, which not only covers the company's various business areas, but also considers changes in the external environment, such as the macroeconomic environment, industry trends and so on. Through this system, the company can discover and identify potential risks in a timely manner, laying the foundation for subsequent early warning and response work.

Based on the business characteristics and market environment, listed companies should develop a set of refined risk warning indicators and thresholds. These indicators and thresholds should be highly operational and measurable and be able to accurately reflect the company's risk situation. When these indicators reach or exceed the preset thresholds, the system should be able to automatically trigger an early warning signal to remind management to take timely measures [17].

Using modern information technology means, listed companies can also build an intelligent risk warning system. The system should have strong data collection, processing and analysis capabilities and be able to monitor the company's various business and operational activities in real time. Through big data analysis and artificial intelligence technology, the system can automatically identify abnormalities and issue warning signals to improve the accuracy and timeliness of risk warning.

With the development of business and changes in the market environment, listed companies need to continuously optimize and improve the risk early warning mechanism. This includes regular assessment and adjustment of early warning indicators and thresholds, introduction of new risk identification tools and technologies, and improvement of the functions and performance of the early warning system. By continuously optimizing and improving the risk early warning mechanism, the company can better adapt to changes in the external environment and improve the efficiency and effectiveness of risk management [18].

To summarize, when strengthening the risk control management, listed companies should not only improve the risk management system, but also strengthen the construction of risk early warning mechanism. Through the joint efforts of these two aspects, the company can better identify, assess, monitor and respond to various risk challenges, and provide a strong guarantee for the sound development of the company [19].

5. Conclusion

Through in-depth research on venture capital, financing, and risk control management and strategies of listed companies, this study draws the following conclusions:

First, this study finds that effective venture capital, financing and risk control management
strategies are crucial to the sound operation and long-term development of listed companies. These strategies not only help companies cope with market uncertainties and risks, but also enhance their competitiveness and market value.

Second, the results of the study show that digital transformation and intelligent upgrading play an important role in venture capital, financing, and risk control management of listed companies. Through the use of advanced information technology and data analysis tools, listed companies can conduct risk assessment, decision-making and monitoring more accurately, thus improving management efficiency and risk control ability.

Again, this study also finds that listed companies face a series of challenges and problems in venture capital, financing, and risk control management, such as information asymmetry, imperfect risk management systems, and changes in laws, regulations, and regulatory requirements. In order to solve these problems, listed companies need to formulate and implement targeted management strategies and strengthen cooperation and communication with relevant stakeholders.

Next, this study gives the methodology of developing a comprehensive risk management system for the problems encountered by listed companies in venture capital, financing, and risk control management, encourages each listed company to promote digital transformation and intelligent upgrading, strengthens communication with investors, and continuously pays attention to the changes in laws, regulations, and regulatory requirements.

Finally, this paper puts forward a set of specific suggestions for listed companies' venture investment, financing and risk control management, including but not limited to: establishing a comprehensive risk management system, strengthening internal control and information disclosure; We need to use artificial intelligence and big data technology to identify risks and promote digital transformation and intelligent upgrading; We need to strengthen cooperation with investors and improve information transparency. We need to continue to monitor changes in laws, regulations and regulatory requirements to ensure compliance.

In summary, this study systematically researches and analyzes the management and strategies of venture capital, financing, and risk control of listed companies, and puts forward a set of effective management strategy recommendations. These recommendations are expected to provide useful guidance and support to listed companies to help them maintain sound operations and realize long-term development in the competitive market environment.

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