# RESEARCH ON THE IMPLEMENTATION EFFECT OF FINANCIAL STRATEGY IN THE TRANSFORMATION OF SHANXI COKING CO., LTD.

**HAO MANYU**
**6217195013**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR**
**THE DEGREE OF BUSINESS ADMINISTRATION**
**GRADUATE SCHOOL OF BUSINESS**
**SIAM UNIVERSITY**
**2020**

**RESEARCH ON THE IMPLEMENTATION EFFECT OF FINANCIAL STRATEGY IN THE TRANSFORMATION OF SHANXI COKING CO., LTD.**

**Thematic Certificate**
**To**
**HAO MANYU**

This Independent Study has been approved as a Partial Fulfillment of the Requirement of International Master of Business Administration in International Business Management

Advisor: Chiao-Ming Li Date: 2 / 2 / 2021
(Dr. Li Chiao-Ming)

.................................................................
(Associate Professor Dr.Jomphong Mongkhonvanit)
Acting Dean, Graduate School of Business Administration
Date 2 / 2 / 2021
Siam University, Bangkok, Thailand

# ABSTRACT


**Title:** **Research on the Implementation Effect of Financial Strategy in the Transformation of Shanxi Coking Co., Ltd.**

**By:** **Hao Manyu**

**Degree:** **Master of Business Administration**

**Major:** **International Business Administration**

**Advisor:** ......Chiao - Ming Li......

**(Dr. Li Chiao-Ming)**

....../...2.../...2021...

Over the past 40 years of reform and opening-up, China's economy has achieved rapid growth, but the ecological environment has also paid a price. Our country is facing huge pressure of resources and environment. It is of top priority to speed up the transformation and development of energy management system and mechanism. According to the report of the 19th National Congress, "China's economy has shifted from a stage of high-speed growth to a stage of high-quality development." In order to adapt to the new requirements of development and the formation of long-term competitiveness, resource-based enterprises have carried out transformation. Financial support is indispensable to enterprise transformation. As an important part of enterprise strategy, financial strategy plays a supporting role in enterprise strategy. A reasonable financial strategy is conducive to the realization of enterprise strategy.

Regarding Shanxi Coking Co., Ltd. (hereinafter referred to as Shanxi Coking), a large-scale metallurgical coke production and export enterprise in China, as an example, this paper studied the implementation effect of financial strategy under the corporate transformation, explored whether the financial strategy of corporate transformation was appropriate to the stage environment, and whether the implementation of financial strategy played a supporting role in corporate strategy, as well as the problems existing in the implementation of financial strategy and puts forward the corresponding countermeasures. Firstly, it introduced the development strategy of Shanxi Coking, and analyzed the external environment and internal environment of the implementation of the financial strategy in the transformation. Secondly, it studies the current situation of financing, investment and dividend distribution strategy in the transformation of Shanxi Coking. Thirdly, it constructed a financial strategy matrix and coupling coordination model to evaluate the effect of the financial strategy implementation in the transformation. It was found that the actual financial strategy of enterprises was not consistent with the principle of financial strategy matrix. There were such problems as capital structure imbalance, excessive investment scale, low investment benefit, unreasonable dividend distribution, etc. From the evaluation result of coupling coordination degree model, it was concluded that the coupling coordination degree of financial strategy and enterprise strategy during the period of enterprise transformation was not high. They were in the antagonistic running-in stage as a whole, and the financial strategy couldn't support the enterprise strategy. Finally, the countermeasures to improve the implementation effect of the financial strategy in the transformation of Shanxi Coking company were put forward, including controlling the scale of investment, changing the investment direction, improving the capital operation ability, adopting diversified financing, reasonably distributing dividends, and enhancing coupling coordination, etc. This would enhance the financial advantages of enterprises, and create competitive advantages of enterprises, realize the transformation smoothly, and promote the long-term development of enterprises. Meanwhile, it also provided references for the implementation of financial strategy in the transformation of resource-based Chinese enterprises.

**Keywords:** financial strategy enterprise transformation financial strategy matrix coupling coordination degree

# 摘要


题目：　山西焦化股份有限公司转型过程中的财务战略实施效果研究

作者：　郝曼玉

学位：　工商管理硕士

专业：　工商管理

改革开放 40 年来，中国经济实现了突飞猛进的增长，但也付出了沉重的生态环境代价。当前我国面临巨大的资源和环境压力，必须加快能源管理体制和机制的转型发展。十九大报告指出“我国经济已由高速增长阶段转向高质量发展阶段”。资源型企业为适应新的发展要求、形成长期的竞争力，纷纷进行转型。企业转型离不开资金的支持，财务战略作为企业战略的重要组成部分，对企业战略具有支撑作用，合理的财务战略有助于企业战略的实现。

本文以中国大型冶金焦炭生产和出口企业，山西焦化股份有限公司（在下文中称为山西焦化）为例，研究其转型背景下的财务战略实施效果，探究企业转型背景下的财务战略是否与其所处阶段环境相适应，以及财务战略的实施能否对企业战略起到支撑作用，发现财务战略实施中存在的问题并提出相应对策。首先，介绍了山西焦化的发展战略，并对其转型中财务战略实施的外部环境和内部环境进行分析。其次，具体研究山西焦化转型中的筹资战略、投资战略以及股利分配战略的实施现状。再次，构建财务战略矩阵及耦合协调度模型，对企业转型中的财务战略实施效果进行评价。发现企业实际的财务战略与财务战略矩阵原理不相符，存在资本结构失衡、投资规模过大、投资效益低、股利分配不合理等问题。从耦合协调度模型评价结果可以看出，企业转型期间的财务战略与企业战略的耦合协调程度不高，整体处于拮抗磨合阶段，财务战略不能很好地支持企业战略。最后，提出提升山西焦化转型中的财务战略实施效果的对策，包括控制投资规模、转变投资方向、提升资本运作能力、采取多元化融资、合理分配股利、增强耦合协调等。以期提升企业 的财务优势，进而创造企业的竞争优势，顺利实现转型，促进企业的长远发展。 同时，也为我国资源型企业转型中财务战略的实施和调整提供借鉴。



**关键词**：财务战略　　企业转型　　财务战略矩阵　　耦合协调度

# ACKNOWLEDGEMENT

First of all, I would like to thank my supervisor, Dean Zhang Li, who gave me a lot of help in the graduation thesis stage. No matter it is the topic selection or the frame design, or the theory application, thesis writing, revision and improvement, etc., the whole processs has been carefully taken Guidance and practical help. Teacher Zhang is kind and rigorous in his studies, and has benefited a lot from the teacher. Here, I would like to extend my sincere thanks to Teacher Zhang.

I would also like to thank the college and all the teachers for giving me an opportunity to grow and progress. In these three years, through the teaching and communication of all the teachers, I have continuously broadened my horizons, changed my thinking mode, and cultivated my study habits. Let me find a way to improve myself and pursue excellence.

# Contents

# Figure contents

# Table contents

# 1. INTRODUCTION

## 1.1 Research Background

The "World Energy Blue Book: World Energy Development Report (2018)" pointed out that global energy is accelerating towards high efficiency, cleanliness and diversification, and the global energy supply and demand pattern has entered a stage of in-depth adjustment. At present, the global energy industry is still facing major challenges such as overcapacity of traditional energy and the arduous task of replacing clean energy. China is the world's largest energy producer and consumer. Advancing the energy revolution and building a green, low-carbon and clean energy system are important breakthroughs in China's energy development. In the past 40 years of reform and opening up, China's economy has achieved leapfrog development, but it has also paid a heavy ecological environmental price. At present, my country is facing tremendous pressure on resources and environment, and must accelerate the transformation and development of energy system and mechanism.

The report of the 19th National Congress of the Communist Party of China stated that "my country's economy has shifted from a stage of high-speed growth to a stage of high-quality development," and once again called for green development. As an important resource province in our country, Shanxi has been following an extensive, high-pollution, and high-energy-consuming economic development path for a long time. How to promote green development is an important issue that Shanxi Province must solve to move out of resource-based regions and achieve transformation and leapfrog development. The 2018 Central Economic Work Conference proposed to vigorously eliminate ineffective supply and promote the resolution of overcapacity. In the same year, the "Environmental Protection Tax Law of the People's Republic of China" came into effect, stipulating that enterprises, institutions and other producers and operators that directly discharge taxable pollutants into the environment should pay environmental protection taxes in accordance with the regulations. The coking industry is an important industrial raw material industry in the national economy, and its current overcapacity problem is even more acute. It is also one of the pollutant taxpayers that the environmental tax law focuses on monitoring. According to my country’s "Thirteenth Five-Year Plan for the Coking Industry", the coking industry will eliminate all outdated production capacity, and the pollutant emissions of permitted coking companies must meet the "Coking Chemical Industry Pollutant Emission Standard", "de-capacity" and strict environmental protection requirements Restricting the development of my country's coking industry. Shanxi is the largest and most important coke production base in China. In recent years, with the adjustment of the national industrial structure, the problems of the coking industry have become increasingly prominent, and the survival and development of coking enterprises are facing severe challenges.

In the context of my country's vigorous promotion of green development, environmental protection and "de-capacity", resource-based enterprises must change their development methods and transform themselves in order to achieve sustainable development.

Transformation is a way for an enterprise to grow, as well as a change in its development strategy. As an important part of corporate strategy, financial strategy is one of the functional strategies under corporate strategy and has a supporting role for corporate strategy. It focuses on the long-term benefits and overall performance of the enterprise, which is conducive to enhancing the financial advantage of the enterprise, thereby creating and maintaining the competitive advantage of the enterprise and promoting the growth of the enterprise.

## 1.2 Research significance

For 40 years of economic reform and development in China, as economic development has entered a new normal, corporate growth has entered a new stage, and thus faced a new development model choice. Traditional financial theories are facing new challenges, and effective finance is required in the new environment. Strategy to guide financial work. Based on the strategic management theory, this article studies the matching of financial strategy and corporate strategy through case studies, which can enrich the related theories of strategic management. Secondly, the study of financial strategy in the special period of enterprise transformation makes the study of financial strategy more pertinent.

Transformation is a change in the growth model of an enterprise, as well as the arrangement of the micro-resource allocation structure. Reasonable financial arrangements can help realize this transformation. Studying the financial strategy under enterprise transformation can reversely probe the embeddedness of financial activities, the interaction between finance and micro-organizations, and how financial work collects macroeconomic data to actively serve corporate activities and support corporate growth. As one of the largest metallurgical coke production and export enterprises in China, Shanxi Coking Co., Ltd. is the only coking industry enterprise that has been included in the first batch of pilot units for the development of circular economy in the country. Studying the financial strategy of Shanxi Coking during the transformation period can provide reference for the implementation and adjustment of the financial strategy during the transformation of my country's resource-based enterprises.

# 2. LITERATURE REVIEW

## 2.1 Concept definition

### 2.1.1 Enterprise transformation

Enterprise transformation refers to the improvement of business performance through changes in business and management. Transformation involves changes in concepts, organizations, processes, and personnel capabilities. This transformation has the characteristics of systemic, leapfrogging, and staged characteristics. It is an overall change in the company's long-term business direction, business model, and its corresponding organizational model and resource allocation model. It will help companies reshape their competitive advantages, enhance their value, and form new business formats.

Due to the decline in the competitive advantage of the company in the industry and the decline in competitiveness, the company often maintains its position in the industry through organizational changes, or due to the decline of the overall industry, the competition within the industry is fierce and the development of the company is restricted, forcing Enterprises carry out strategic shifts, actively or passively seeking new economic growth points to gain new vitality.

### 2.1.2 Financial Strategy

(1) Connotation and types of financial strategy

Financial strategy refers to the objective and comprehensive summary and generalization of the development goals, directions and approaches of the company’s financial relationships and activities based on the macro-environmental conditions within a certain period of time and the overall development strategy of the company. The corporate financial strategy aims to ensure the balanced and effective flow of corporate funds and promote the realization of the overall corporate strategy. Compared with other strategies, financial strategy is mainly based on the analysis of the internal and external environment of the enterprise, focusing on the allocation and structure of enterprise funds, including fund raising, investment and surplus distribution.

The choice of corporate financial strategy determines how a company allocates its financial resources, and thus has an impact on the behavior and efficiency of corporate financial activities. Enterprises should choose appropriate financial strategies based on changes in liabilities, earnings, and distribution in different periods. Corporate financial strategy includes the following three types:

Fast-expanding financial strategy. Under this strategy, companies usually need to retain most or even all of their profits. At the same time, because the company's internal accumulation cannot meet its rapid expansion needs, it needs to use more debt financing to raise a large amount of external capital to achieve rapid expansion of corporate assets.

Steady development-oriented financial strategy. The primary task of enterprises implementing this strategy is to optimize the allocation of resources, improve the efficiency of resource use, and to satisfy the daily operation and development of the enterprise through its own profit retention, and to achieve the stable operation of the scale of enterprise assets and business scale. At the same time, in order to reduce financial pressure, such companies tend to use less debt to expand the scale of the company.

Defensive shrinking financial strategy. The purpose of implementing this strategy is to help companies survive the business crisis and seek new development. Companies can use measures such as reducing branches and streamlining institutions to activate existing assets, reduce costs and expenses, and reduce cash flow as much as possible. At the same time, all the human and material resources that can be concentrated are used for the main business of the enterprise to enhance the market competitiveness of the main business of the enterprise and increase the inflow of cash.

(2) Financial strategy matrix

American scholar Gabriel Hawawini et al. (2000) first proposed the financial strategy matrix. He assumed that the business goal of the company is to enhance the value of the company, and the company's capital allocation should match the company's value creation activities. Therefore, the key factors for business growth are value appreciation and capital flow. Different enterprises should choose appropriate combinations in their business activities to meet the needs of financial strategies. On this basis, Hawawini et al. built a financial strategy matrix model to test the relationship between corporate financial status and value creation and sustainable growth, and also provide a reference for the adjustment of corporate financial strategy.

In the financial strategy matrix, the difference between the sales growth rate and the sustainable growth rate is taken as the abscissa, and the difference between the return on investment capital and the cost of capital is taken as the ordinate to determine the state of capital and value of the enterprise. The abscissa of the financial strategy matrix reflects the capital status of the company. The difference between the two is greater than zero, indicating that the company is short of cash, and less than zero indicates the company’s cash surplus; the ordinate reflects the value status of the company, the difference greater than zero indicates value creation, and less than zero indicates impairment value. According to the combination of different capital status and value status, the financial strategy matrix is divided into four quadrants, namely value-added cash shortage, value-added cash surplus, impaired cash surplus, impaired cash shortage, and proposed according to the characteristics of various enterprises corresponding strategy. The distribution of the financial strategy matrix is shown in Figure 2.1:

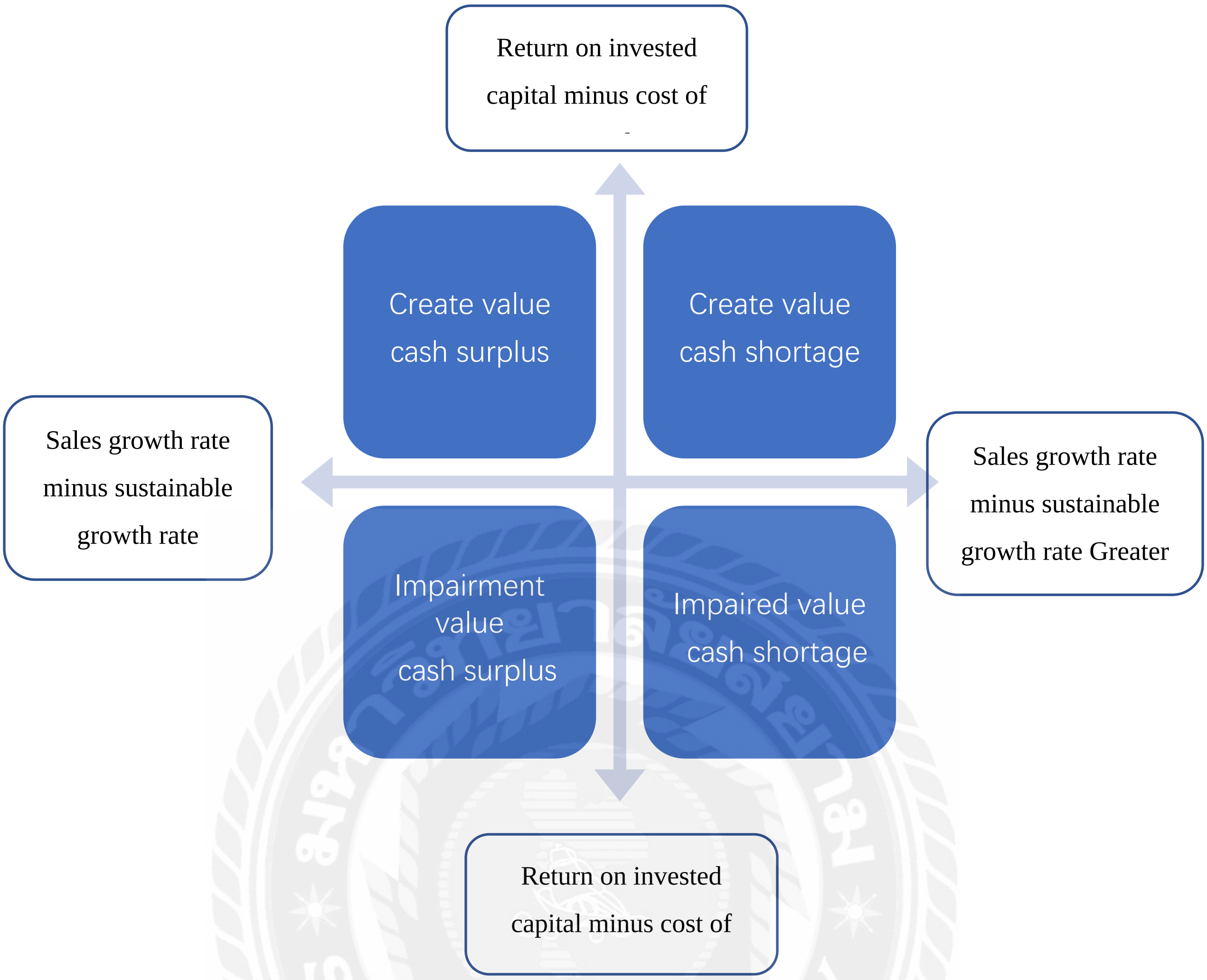


Figure 2. 1 Financial Strategy Matrix

According to Figure 2.1, the type of enterprise corresponding to the first quadrant of the financial strategy matrix is value-added cash shortage. Enterprises in this quadrant are usually in the growth stage and have good value creation capabilities, but the profits they bring cannot satisfy the development of the enterprise, and cash appears shortage. At this stage, companies need to balance cash flow by issuing new shares, improving operating efficiency, and changing financial policies.

The type of business in the second quadrant is value-added cash surplus. With the development of enterprises, enterprises in this quadrant usually show sustained profitability, can meet the funds needed for their own development, and can promote value appreciation. At this stage, the remaining cash should be fully utilized to accelerate growth and increase dividend payments, and distribute the remaining cash.

The type of enterprise corresponding to the third quadrant is impaired cash surplus. At this time, the enterprise is in a period of recession. If the scale of the enterprise continues to be expanded, the value of the enterprise will be reduced. Companies should increase the rate of return on invested capital, reduce the cost of capital, and sell business units.

In the fourth quadrant, the sales growth rate is greater than the sustainable growth rate, the return on invested capital is less than the cost of capital, and there is a shortage of cash for the impairment of corporate value. Companies in this quadrant cannot create value, their development is limited and due to slow growth, there is a shortage of cash. Enterprises should be completely reorganized or sold.

To sum up, the financial strategy matrix is divided into four quadrants, and companies should choose the corresponding financial strategy according to the quadrant. Under normal circumstances, companies in the first quadrant should implement a fast-expanding financial strategy, companies in the second quadrant can implement a robust financial strategy, and companies in the third and fourth quadrants should implement a defensive financial strategy as much as possible .

## 2.2 Related theories

### 2.2.1 Enterprise growth theory

The theory of enterprise growth can be divided into the theory of external growth and the theory of internal growth. The theory of external growth of enterprises emphasizes that the growth of an enterprise is determined by external factors. Coase (1937) believes that enterprises can replace market mechanisms, and the boundaries of enterprises are determined by market transaction costs and internal management costs of the enterprise. Saving transaction costs is the driving force for enterprise growth. Williamson (1979) pointed out that the higher the degree of asset specificity, the higher the market transaction costs. Enterprises can reduce certain links in market transactions through mergers, expand corporate boundaries, and achieve corporate growth. The competitive advantage theory put forward by Porter (1989) believes that the competitive structure of the industry in which a company is located determines the company's competitive advantage. When formulating its competitive strategy, an enterprise should consider the five forces of existing competitors, potential entrants, suppliers, customers, and substitutes in the industry; in turn, the enterprise's competitive strategy will generate these five basic competitive forces. Influence, and then affect the industrial structure and competition rules, thereby enhancing the competitive advantage of enterprises and promoting the growth of enterprises.

The theory of internal growth of an enterprise believes that internal factors such as resources, capabilities, and knowledge possessed by an enterprise are the dominant factors for enterprise growth, and determine the extent and boundaries of enterprise growth. Adam Smith (1776) put forward the theory of division of labor, explaining the problem of enterprise growth through the economies of scale brought about by division of labor. He believed that division of labor improved the production efficiency of enterprises and was the source of growth within the enterprise. Marshall (1920) put forward the theory of internal skills and knowledge growth from the perspective of "differential division of labor" between internal functional departments of enterprises, and believed that the accumulation of skills and knowledge formed by internal functional division of labor promoted the growth of enterprises. Penrose (1959) believes that an enterprise is a management organization integrating human and material resources, and these internal resources are the driving force for the growth of the enterprise. He revealed the internal driving force of enterprise growth by constructing an analysis framework of "enterprise resources-enterprise capabilities-enterprise growth". Chandler (1977) proposed the corporate growth theory of corporate system changes. With the expansion of business scale, corporate systems are gradually changing. At the same time, changes in the corporate system have also promoted the continuous growth of enterprises.

rprise growth, this paper analyzes the influence of the internal environment and external conditions of the enterprise on the growth of the enterprise, and whether the financial strategy can follow this change in the process of corporate system changes, thereby creating competitive advantages and promoting enterprise growth.

### 2.2.2 Strategic Management Theory

The development of strategic management theory has gone through the following stages:

In the 1960s, the American management scientist Chandler, based on the study of the relationship between environment, strategy, and organization, believed that corporate strategy should be adapted to the environment and the market, and that the organizational structure should adapt to corporate strategy and follow the strategy Change and change. In 1965, Ansoff first proposed the concept of corporate strategy, and defined strategy as the way and means for an organization to achieve its goals and missions, including the formulation and evaluation of various plans and the methods of decision or action taken.

In the early 1980s, the mainstream position of strategic management theory was the competitive strategy theory represented by Michael Porter. He believes that obtaining competitive advantage is the focus of corporate strategy, and competitive advantage is mainly affected by two factors: one is the profitability of the entire industry; the other is the relative competitive position of the company in the industry.

In the early 1990s, Prahalad and Hamel put forward the "Core Competence Theory", which believed that the unique resources possessed by a company are the source of a company's lasting competitive advantage. In 1995, David J. Collins and Cynthia A. Motgomery put forward the view of enterprise resources, believing that those valuable resources in an enterprise can create a competitive advantage for the enterprise. The "strategic alliance theory" that emerged in the late 1990s emphasized competition and cooperation, believing that competitive advantage is based on the combination of one's own advantages and the advantages of others.

Based on strategic management theory, this article analyzes the relationship between environment, strategy and organization. In the case of changes in internal and external environments, companies need to make corresponding strategic adjustments. The problem of corporate financial strategy is essentially a problem of corporate strategic management, and it is the specific application and practice of corporate strategic management theory in corporate financial management. Strategic management theory explores how companies implement and adjust strategies according to changes in internal and external environmental conditions, which can be used to guide the implementation of corporate financial strategies.

### 2.2.3 Generalized Financial Management Theory

In the mid-1990s, the concept of a generalized financial management theory system came into being. Wang Huacheng (2006) earlier proposed to build a general financial management theoretical structure from the financial management environment. He believes that financial management theory should be based on the environment and goal-oriented, and put forward a financial management theoretical research path of "external financial management environment-internal financial management environment-broad financial decision-corporate value". Among them, the macro environment and the market environment are the external environment of financial management, and the corporate strategy and governance structure are the internal environment of financial management. Generalized financial decision-making is an important part of the generalized financial management theory system, including generalized financing theory, generalized investment theory and generalized distribution theory. The general financing theory includes the allocation of corporate capital structure, debt structure and equity structure. In addition to the traditional tangible capital allocation, the broad investment theory also considers new elements such as intangible capital and human capital that can create value for enterprises. In the generalized distribution theory, the resources of the enterprise are allocated through the three elements of dividend distribution, evaluation incentives and human capital. Financial decision-making is affected by the internal and external environment of the company, and at the same time it will have a counter-effect on the internal environment of the company, making the company better adapt to the changes in the internal and external environment, and ultimately achieve the goal of maximizing corporate value.

Subsequently, Wang Huacheng et al. (2012) further expanded and refined the structural framework of the influence of corporate strategy on the general financial management theory based on the industry competition environment based on the previous research, and proposed the "industry competitive environment-corporate strategy-broad The research path of "financial decision-company value". Based on this path, this paper analyzes the relationship between the financial management environment and corporate strategy and financial decision-making, and builds a financial strategy evaluation system based on the general financial management theoretical framework to improve the financial strategy and make It matches the corporate strategy to maximize corporate value.

### 2.2.4 Coupling Theory

"Coupling" is a concept in physics, which refers to the close cooperation and mutual connection between two or more systems, and the phenomenon of transferring energy from one system to another through interaction. In recent years, with the continuous integration of disciplines, coupling theory has been introduced into management disciplines, which means that two or more systems influence each other through various interactions, and thus unite to form a dynamic of interdependence, coordination, and mutual promotion. connection relation.

Financial strategy and corporate strategy are independent of each other and at the same time a unified whole. The effective implementation of financial strategy will help the enterprise realize the overall strategy. Financial strategy is a specific measure that an enterprise uses financial means and financial funds to achieve its strategic goals. The management of an enterprise is inseparable from the guidance of the corporate strategy. A high-quality financial strategy can effectively guarantee the realization of the corporate strategy. Through positive interaction, corporate strategy and financial strategy promote and influence each other, and coordinate and unite to form the internal working mode of each module in the coupling system, and in a certain business environment and competitive environment, the operating rules for each module to interconnect and interact And principle.

## 2.3 Literature review

### 2.3.1 Research on the connotation of financial strategy

Michael Porter first proposed the connotation of financial strategy from the perspective of enterprise development. He took enterprises as the object and believed that financial strategy is a prediction of the future development of the enterprise based on the current financial environment. He also proposed that financial strategy is a functional strategy of an enterprise, and its effective implementation affects the development of the enterprise. Subsequently, more and more foreign scholars began to study financial strategies. James (1997) believes that financial strategy is a specific strategy adopted by business management, which mainly includes financing methods and scale, business types, business arrangements, etc. EFHarrison and CHJohn (2001) mentioned finance in the implementation of the strategy Strategy. The two scholars believe that financial strategy is the specific planning and operation mechanism for the use of funds in the process of implementing the overall strategy of an enterprise, and the financial strategy can support the overall strategy of the enterprise. In the process of planning the use of funds, an enterprise’s financial strategy should include arrangements for financial budgets, capital operations, financial leverage, capital costs, etc. . Taylar (2013) believes that financial strategies should include short-term and long-term debt solvency, financial risk management, capital expenditure, long-term planning, and financial planning .

In the 1990s, domestic scholars began to study financial strategies. In terms of theoretical research, Hou Longwen (1993) was the first to elaborate on the nature and connotation of financial strategy. Based on the analysis of the internal and external environment of the enterprise, he proposed that the financial strategy is a long-term financial plan for the long-term survival and development of the enterprise. Yan Dawu and Lu Zhengfei (2000) believe that financial strategic management activities include the establishment of a target system, the implementation of environmental analysis, and the implementation of program evaluation . Lu Cunxiao (2006) put forward the connotation of financial strategy from the perspective of fund raising and operation. Cao Yushan (2010) creatively integrated the concepts of finance and strategy and expanded the connotation of financial strategy. He pointed out that financial strategy refers to a series of financial decision-making activities carried out by an enterprise in order to achieve a certain period of financial goals, using financial ratios as a measurement tool for financial activities, including general financial strategies and special financial strategies. Fundraising strategy, investment strategy, operation strategy and distribution strategy are general financial strategies, while M&A strategy is a typical special financial strategy. Zhang Dunli and Wei Xiao (2013) pointed out that financial strategy is the optimal allocation of financial resources based on corporate strategy.

In terms of case studies, Mao Mingjie (2015) studied the life cycle of enterprise groups and pointed out that financial strategy exists in all areas and links of the enterprise and is the core content of the overall strategy of the enterprise. Financial strategic management mainly includes aspects such as controlling corporate capital activities, handling corporate financial relationships, and maintaining corporate internal financial stability. Qi Yinghua (2017) uses the asset-light business model of Xiaomi Group as the background to discuss the corporate financial strategy management system from the three perspectives of financing, investment and working capital management. Wu Qianqian, Li Junyi and others (2018) analyzed the current situation of China Shenhua’s financial strategy from the aspects of financing, investment, operation and dividend distribution based on the case study of China Shenhua.

Regarding the research on the types of financial strategies, Zhou Hong (2014) introduced three types of financial strategies in the growth stage of a company, namely, integrated, stable and defensive. Sun Lihua and Ni Qingdong (2016) proposed that companies should adopt different financial strategies in each life cycle of value chain innovation. In the construction period, focus on financial strategy selection; in the perfect period, implement an expansionary financial strategy; implement a stable financial strategy in a stable period; implement a defensive financial strategy in the renewal period.

### 2.3.2 Research on the evaluation of the implementation effect of financial strategy

The method of evaluating the effect of financial strategy implementation is mainly to use traditional financial performance evaluation methods. Alexander Voll (1928) proposed a method of evaluating corporate financial status that combines multiple financial ratios with linear relationships. James To Bin (1969) proposed to use the ratio of the market value of an asset to its replacement cost to evaluate whether the market value of an asset is overvalued or undervalued. The American Stern Stewart Company (1995) put forward the concept of economic value added based on the lack of traditional accounting profits and the cost of all capital including equity and debt. It is believed that only when the company's profit is greater than its cost of capital can it create value for shareholders5". After this, Jeffery (1977) re-examined and revised the calculation method of economic value added. Kaplan and Nortan (1992) used non-financial indicators in corporate performance evaluation and proposed a balanced scorecard ". Domestic scholar Zhang Tong (2011) built a financial strategy matrix value evaluation system based on the corporate life cycle theory, and based on relevant financial Indicators are used to determine the quadrant of the enterprise, adopt corresponding financial strategies, and promote the continuous improvement of enterprise value. Zhang Yan (2013) combines two analysis methods of EVA and BSC, and proposes a more comprehensive and practical performance evaluation mechanism. . Chai Yuanyuan (2019) believes that the financial strategy matrix can objectively and comprehensively evaluate the value creation ability and sustainable growth ability of an enterprise, and provides a method "2°" for the enterprise to evaluate the financial strategy.

As far as the content of the financial strategy implementation effect evaluation is concerned, the existing research mainly divides the financial strategy implementation effect evaluation into two aspects, one is to evaluate the performance of the financial strategy, and the other is to evaluate the execution of the financial strategy. Ruth Bender and Keith Ward (2013) believe that the financial strategy of a company is particularly important in two aspects. One is to have the correct method of financing, and the other is to be able to effectively use the funds raised. Whether the financial strategy is effective depends on whether it can promote the realization of the business objectives of the enterprise. The research results of Owusu (2017) show that the reliability of financial data continues to improve with the improvement of corporate systems, and the use of strong data support in financial statement analysis has become an important means of corporate financial strategy analysis “22”. Domestic scholar Zhang Hao (2014) pointed out that the main evaluation methods of current financial strategy are all taken from the evaluation methods of corporate financial performance, namely: state-owned capital performance evaluation method, EVA evaluation method, balanced scorecard and data envelopment analysis method. . Zhuang Wanting, Liu Yan, and Lin Yuan (2017) compare and analyze the diversified and vertically integrated financial strategy performance “24” from the six types of comprehensive indicators such as profitability and operating capacity of SJ companies and 12 specific indicators. Liu Jianmin, Liao Zhichao (2018) analyzed the financial execution ability of enterprise groups from the perspective of ability theory and asset specificity, and proposed to evaluate the four forces of financial strategy guidance, financial organization collaboration, financial personnel execution and financial system binding Financial execution of enterprise groups

### 2.3.3 Research on the relationship between financial strategy and corporate strategy

Ansoff (1965) believes that the management of an enterprise cannot be separated from the strategic guidance of the enterprise to promote the realization of the goal of the enterprise’s operation and management. A high-quality financial strategy can effectively guarantee the realization of the enterprise strategy. Ruth Bender and Keith Ward (2013) focused on analyzing the application of financial data in corporate strategy, and proposed that the overall corporate strategy and the strategies of each business unit determine the corporate financial strategy. Enterprises should formulate and implement corresponding financial strategies in accordance with the overall strategy and competitive strategy at different stages of development.

Many domestic scholars have also studied the relationship between financial strategy and corporate strategy from different angles. Liu Zhiyuan (1997) believes that the overall strategy of an enterprise determines the financial strategy, and the effective implementation of the financial strategy is conducive to the realization of the overall strategy of the enterprise. The two are independent of each other and are also a unified whole. Financial strategy is a concrete measure for an enterprise to use financial means and financial funds to achieve the overall strategic goals of the enterprise. Yan Dawu and Lu Zhengfei (2000) pointed out that financial strategy is similar to corporate strategy, including a complete operation process, with relative independence (5). Tang Guliang (2007) pointed out that by controlling financial activities, enterprises use the funds raised to achieve corporate goals, continuously improve their capital structure, and optimize resource allocation. He believes that finance and strategy are closely related, and the realization of corporate strategic goals depends on the integration of the two. Dai Tianjing, Zhang Ru, Tang Guliang (2012) believe that financial strategy is one of the functional strategies under the overall corporate strategy and plays an important role in the overall corporate strategy. The overall strategy of an enterprise is inseparable from the financial strategy and the operation of funds. Peng Hui (2015) believes that the formulation of financial strategies should be based on the formulation of corporate development strategies, and the two cooperate with each other to jointly achieve the overall strategic development goals of the enterprise.Gu Zengjun (2016) draws on the physics trigger model, studies the matching problem between the overall corporate strategy and financial strategy, and builds a financial strategy matching framework. He Ying, Hu Yue (2016) By analyzing the financial strategic management system of Dell’s asset-light profit model, it is found that financial strategic management should be coordinated with the company’s business strategy in terms of inventory management, asset investment, cash management, and dividend distribution. Zhao Shuanwen, Zhao Yi (2018) In the context of supply-side reforms, through value chain management, he analyzed the environment for the implementation of financial strategies, and further studied the synergy between financial strategies and other corporate strategies, so that companies can seize reform opportunities and adjust finances in a timely manner Strategy to promote the long-term development of the enterprise.

#### 2.3.4 Research on financial strategy in enterprise transformation

Most domestic scholars on the financial strategy research of corporate transformation use case studies, and believe that a reasonable financial strategy can provide support for corporate transformation. Liu Dongmei (2015) analyzed the specific choices of investment strategy, fundraising strategy, working capital management strategy, profit distribution strategy and other aspects of the transformation based on the transformation of the enterprise’s O2O model, and believed that the effective formulation and implementation of financial strategy is the successful transformation of the enterprise key. Hu Yibing (2017) believes that capital is the key factor of business operation and the core of financial strategy. Therefore, whether the financial strategy is reasonable determines whether the enterprise can successfully realize the transformation. Li Baiji and Li Tiantian (2018) pointed out that in the context of deepening supply-side reforms, real estate companies must achieve transformation and upgrading. Through the analysis of the financing strategy, operation strategy and brand output strategy implemented by Vanke during the transformation period, the asset-light operation model of Vanke is conducive to the stable operation and sustainable development of enterprises, and provides reference for the future transformation of Chinese enterprises. Zhao Boting (2018) believes that the shift of corporate strategy is closely related to the operation of corporate profit models, and precise strategic positioning can provide important reference information for future corporate transformation . Bao Kexiang (2019) takes Huayi Brothers as an example, takes financial analysis as the starting point, uses the financial strategy matrix to analyze its financing, investment, profit distribution and cost management strategies in the transformation process, and puts forward the problems in its financial strategy Corresponding countermeasures.

### 2.3.5 Research review

Researches on the connotation of financial strategy, the evaluation of the effect of financial strategy implementation, and the relationship between financial strategy and the overall corporate strategy have common points. The research content mainly involves enterprise investment, financing, and profit distribution. The research of financial strategy evaluation mainly focuses on financial performance and its measurement, and the methods used are mostly the same. In terms of the relationship between financial strategy and corporate strategy, domestic and foreign scholars believe that financial strategy, as one of the functional strategies under the overall corporate strategy, has a supporting role for corporate strategy. However, there are relatively few studies on whether the financial strategy implemented by the enterprise can match the corporate strategy

.

China is a government-led market economy, and the transformation of enterprises under the system of “three removals, one reduction and one subsidy” is unique. As a key stage of enterprise development, enterprise transformation determines whether the enterprise can achieve long-term and stable development. The existing literature is relatively lack of financial strategy research in the process of transformation. This paper studies the financial strategy in enterprise transformation, constructs a financial strategy matrix and a coupling coordination model, evaluates the effect of financial strategy implementation, explores whether its financial strategy can support corporate strategy, and proposes targeted improvements in the transformation of Shanxi Coking Countermeasures and suggestions for the effect of financial strategy implementation.

# 3. RESEARCH METHOD

## 3.1 Research questions

With the rapid economic development, the ecological environment has also paid a heavy price. Therefore, it is proposed to accelerate the transformation and development of energy management systems and mechanisms. Therefore, the transformation of resource-based enterprises is imminent. The transformation of enterprises into a key stage of enterprise development determines the ability Whether to achieve long-term stable development, but the existing research is relatively lack of financial strategy research in the transition phase. Therefore, the main research questions here are as follows

1. Research on the implementation effect of Shanxi Coking's financial strategy in the process of transformation.

2. Research on the matching of financial strategy and corporate strategy.

3. How to optimize the financial strategy of resource-based enterprises in the context of transformation.

4. How to promote the diversified and sustainable development of resource-based enterprises.

## 3.2 Research purpose

According to the previous analysis, the research purpose of this article is mainly to study how to ensure the effect of financial strategy implementation in the transformation of resource-based enterprises through the analysis of Shanxi coking enterprise cases, promote the diversified sustainable development of resource-based enterprises, and study Shanxi through the coupling coordination degree model The effect of the financial strategy implementation during the transformation period of the Coking Chemical Company is to explore whether the financial strategy during the transformation period of the enterprise can support the development strategy of the enterprise and ensure the smooth transformation of the enterprise.

## 3.3 Research methods

(1). Literature analysis method, according to the research purpose of this article, read a large number of domestic and foreign scholars on corporate transformation, financial strategy, and the relationship between financial strategy and corporate strategy, and combed them, summarized relevant domestic and foreign research results, and laid a foundation for the research of this article Theoretical basis.

(2). Case analysis method, taking Shanxi Coking Co., Ltd. as an example, using the company's year-end financial statement data to study the effect of financial strategy implementation under the background of its transformation, and to explore whether the financial strategy under the background of corporate transformation and the financial strategy that should be implemented at the stage Compliance, and whether the implementation of the financial strategy can support the corporate strategy, discover the problems in the implementation of the financial strategy, and propose countermeasures. Thereby promoting the sustainable development of resource-based enterprises and achieving smooth transformation.

(3). Coupling coordination degree model, through this model to build a financial strategy and corporate strategy coupling coordination evaluation system, through the coupling and coordination degree of financial strategy and corporate strategy, evaluate the implementation effect of financial strategy during the transformation of Shanxi Coking, and explore the financial strategy during the transformation of the enterprise Can it support the development strategy of the company? Ensure the implementation effect of the financial strategy of resource-based enterprises in the transformation process.

## 3.4. Research content

This article summarizes the concepts and theories of corporate transformation and financial strategy on the basis of relevant research by domestic and foreign scholars, then introduces the overview of corporate transformation, and analyzes the external and internal environments of the implementation of financial strategies in the case of corporate transformation. According to Shanxi Coking's year-end financial statement data, it specifically researches the implementation of financing strategy, investment strategy and dividend distribution strategy in the enterprise transformation, and evaluates whether the financial strategy in the enterprise transformation is compatible with the environment at the stage and whether the implementation of the financial strategy can support Corporate strategy, discover the problems in the implementation of financial strategy and propose corresponding countermeasures.The chapters and main contents of this article are summarized as follows:

The first chapter is the introduction. It mainly includes the research background and significance of this article.

The second chapter is the definition of the concept and a review of related theories and literature. Explain the related concepts and theories of corporate transformation and financial strategy, define the concepts involved in this article, and sort out the applied theories of the institute. Then summarize the research status at home and abroad from different angles.

The third chapter is the research content and research methods. The main research questions, research goals, research methods and research content of this article are written.

The fourth chapter is the main analysis part of the paper, which analyzes the environment of the implementation of the financial strategy in the transformation process of Shanxi Coking, the effect and evaluation of the implementation. It mainly introduces the development strategy of Shanxi Coking, and analyzes the external and internal environment of the financial strategy implementation in the enterprise transformation, and provides countermeasures for improving the effect of the financial strategy implementation in the transformation of Shanxi Coking. Aiming at the problems existing in the financial strategy in the transformation of Shanxi Coking, the countermeasures to improve the implementation effect of the corporate financial strategy are proposed. Then build a financial strategy matrix based on the annual report data of Shanxi Coking, and judge the type of financial strategy that should be implemented in the process of enterprise transformation according to the position in the matrix, and discover the problems existing in the implementation of the financial strategy of the enterprise at this stage. Use the coupling coordination degree model to construct a financial strategy evaluation system to explore whether the financial strategy in the enterprise transformation can match the corporate strategy.

The fifth chapter is the conclusions and research recommendations, and measures to improve the implementation effect of the financial strategy in the transformation of Shanxi Coking. Aiming at the problems existing in the financial strategy in the transformation of Shanxi Coking, the countermeasures to improve the implementation effect of the corporate financial strategy are proposed.

# 4. PAPER ANALYSIS

## 4.1 Development strategy of Shanxi Coking

### 4.1.1 Enterprise Overview

Shanxi Coking Co., Ltd. (stock code: 600740) was established on August 2, 1996, initiated by Shanxi Coking Group, and was listed on the Shanghai Stock Exchange on August 8, 1996. Shanxi Coking Co., Ltd. is a large-scale comprehensive utilization enterprise of coal resources, mainly engaged in the recovery and processing of raw coal mining, coking and coking by-products. It is one of the largest metallurgical coke production and export enterprises in China and a leading enterprise in the coking industry in Shanxi Province The only company in the coking industry that was included in the country's first batch of pilot units for the development of circular economy. The company mainly produces and sells coke and related chemical products. The main products include metallurgical coke, methanol, carbon black, sulfide money, industrial carbon, modified asphalt, pure benzene, etc.

### 4.1.2 Adjustment of Shanxi Coking Development Strategy

Shanxi Coking Co., Ltd. has gone through three development stages since its establishment: 1996-2002 is a period of stable production and enterprise restructuring; 2003-2010 is a period of deepening reform and accelerating development; 2011 to now is a period of improving quality and efficiency and transformation Development period.

In 2003, China's economy entered a period of acceleration of heavy and chemical industries. With the continuous expansion of market demand for steel, chemical products, and non-ferrous metals, the demand for coke products increased rapidly, which caused the price of coke to continue to rise, and Shanxi Coking also ushered in rapid growth. Golden age. The economic crisis in 2008 caused a huge impact on the traditional coal chemical industry. The situation in the domestic steel market deteriorated, steel companies sharply reduced production, demand for coke fell, and prices fell sharply, resulting in unsalable coke products. At the same time, the price of raw coal has fallen slightly, and the cost of raw materials is high, causing the prices of raw materials and products to fall seriously. In 2010, with the introduction of national industrial restructuring, resource integration, energy conservation and emission reduction and other industry rectification measures, the contradiction of overcapacity in the coking industry has intensified, and the survival and development of coking enterprises are facing severe tests.

At the end of 2010, due to the strong impact of the economic crisis, Shanxi Coking faced unprecedented survival challenges, and corporate development projects were almost interrupted. In 2011, Shanxi Coking and Chemical Co., Ltd. formulated a development strategy for the integration of coal and coking and recycling economy through analysis of the macroeconomic operation and industry development pattern, and the company entered a period of transformation and development. This article will study the effect of Shanxi Coking's financial strategy implementation during its corporate transformation since 2011, and explore whether its financial strategy can support the overall development strategy of the company, thereby supporting the growth of the company.

### 4.1.3 Implementation of Shanxi Coking Development Strategy

During the "Twelfth Five-Year Plan" period, the company will further improve its technological level, adhere to market demand as the guidance, accelerate the establishment of a circular economy system, focus on the development of six industrial sectors of coal, coking, chemical, trade, new industries, investment and financing, and optimize and upgrade coal - Coke-chemical and coal-gas-chemical industry chains, extend coal mining, coal washing and deep processing nearby, expand the main business of coking, develop new coal chemical and fine chemical industries, vigorously develop diversified new industries, expand logistics trade, and explore new investment and financing In this way, the integration of coal and coking circular economy will be established and a new coal chemical base will be built.

During the "Thirteenth Five-Year Plan" period, Shanxi Coking will focus on economic benefits, accelerate the transformation of economic development mode, support technological innovation and key project construction, rely on the advantages and platform of Shanxi Coking Coal Group, and focus on "coal, coke, and chemicals". Vigorously develop logistics and trade, new industries, investment and financing and other sectors, focus on building resource-saving and environment-friendly enterprises, realize the transformation and upgrading of the coal chemical industry, and strive to build a coal coking circular economy park.

In 2011, the company proposed to build a comprehensive project of 15 million tons/year coal coking circular economy park, the first batch of transformation and comprehensive reform pilot projects in Shanxi Province, 600,000 tons/year alkene project and 2 million tons/year coal-to-methanol supporting projects. Relying on Shanxi Coking Coal Group, Feihong Chemical Company was established to seize development opportunities and embark on a new path of transformation and leapfrog development. In 2012, in accordance with the state's implementation of resource conservation, environmental protection, and energy conservation and emission reduction, the fertilizer production equipment that had been in operation for 30 years was permanently shut down. In 2014, the company established a 300 kg small coke oven coal blending experimental center, which laid a solid foundation for reducing coal blending costs and improving coke quality. In the same year, the Linfen 2 million tons coal washing transformation and expansion project was successfully operated, extending the industrial chain upward. In 2015, the coking wastewater advanced treatment and recycling project was completed, achieving the goal of “sewage in and purified water out”.

In 2017, the coke oven flue gas desulfurization and denitrification and waste heat recovery projects were fully completed, and the coal yard was completely closed. The company's cleaning and lighting project has basically been completed. In 2018, Shanxi Coking & Chemical acquired 49% of China Coal Huajin's equity through a major asset reorganization and promoted industrial upgrading through asset securitization, which truly opened up the “coal-coking-chemical” industrial chain. Deepen the reform of state-owned assets and state-owned enterprises in Shanxi Province, accelerate project promotion and transformation, and achieve leapfrog development.

## 4.2 The external environment for the implementation of the financial strategy in the transformation of Shanxi Coking

### 4.2.1 Analysis of Macro Environment

(1) Policy and legal factors

According to statistics on the website of the Ministry of Industry and Information Technology, during the "Twelfth Five-Year Plan" period, 97 million tons of outdated production capacity has been eliminated in the country. According to the "Outline of the 13th Five-Year Development Plan for the Coking Industry", during the "13th Five-Year Plan" period, 50 million tons of coking coal production capacity will continue to be eliminated, and the pollution emissions of coking enterprises will basically meet the pollutant emission standards for coking chemicals.

The development of my country's coking industry is affected and restricted by environmental protection policies, requiring coking companies to continuously strengthen technological transformation, improve the construction of environmental protection facilities, and achieve energy conservation and emission reduction. The "13th Five-Year Plan" proposes to adhere to green development and improve the ecological environment. In 2018, the State Council issued the "Notice of the State Council on Printing and Distributing the Three-Year Action Plan for Winning the Blue Sky Defense War". Subsequently, Shanxi Province also issued the "Shanxi Coking Industry Fighting Pollution Prevention and Promoting Transformation and Upgrading Implementation Plan", and formulated the province's coking industry's production capacity, output, environmental protection emissions and equipment upgrade targets. The "Environmental Protection Tax Law of the People's Republic of China" that came into effect on January 1, 2018 stipulates: "Enterprises, institutions, and other production operators that directly discharge taxable pollutants into the environment, in addition to paying environmental protection taxes in accordance with the provisions of this law, Also bear legal responsibility for the damage caused." The promulgation and implementation of various environmental regulations have put forward higher requirements for the environmental protection of coking enterprises.

(2) Economic factors

In 2011, due to the negative impact of the European sovereign debt crisis, global economic growth generally declined. During the "Twelfth Five-Year Plan" period, world economic development has entered a transitional period, China's economic development has entered a new normal, and domestic macroeconomic growth has slowed. The report of the 19th National Congress of the Communist Party of China pointed out that my country's economy has shifted from a stage of rapid growth to a stage of high-quality development. The changes in the international and domestic economic environment urgently require my country's industrial enterprises to transform their economic development methods, accelerate industrial restructuring, transform growth drivers, and achieve transformation and upgrading.

(3) Technical factors

The technological environment has injected new vitality into the development of China's manufacturing industry. At present, my country's coking industry has mastered the core production technology, and the development of the coking industry will be determined by innovation in the field of technology and technology. The "Thirteenth Five-Year" National Science and Technology Innovation Plan pointed out the need to accelerate the research and development of core key technologies such as green coal development and clean conversion, and incorporate the clean and efficient use of coal into major new scientific and technological projects. In the energy field, a comprehensive layout of diversified energy supply, efficient and clean use of energy and breakthroughs in cutting-edge technology will be formed. Coking enterprises should accelerate the upgrading of equipment technology, realize automation and intelligence, and take the road of technological innovation and green development.

### 4.2.2 Industry environment analysis

The coking industry is a traditional coal chemical industry with a relatively mature development. The main products are coke, and the by-products are chemical products from coking coal. The steel industry accounts for 85% of the total downstream consumption of coke, so the profitability of the coking industry is mainly affected by the status of the downstream steel industry and its own balance of supply and demand.

The economic growth pattern and cycle of basic raw materials such as steel and chemical products directly affect the production of the coking industry. my country's coke is mainly self-produced and sold, and its export volume is small. The supply of coke is still slightly larger than the demand. With the implementation of structural reforms on the supply side, the ending inventory of coke has decreased significantly.

Although the industrial concentration of my country's coke industry is relatively high, coke companies have little say in pricing. The upstream coking coal resources are mainly concentrated in several large state-owned coal mines, the supply of high-quality coking coal is relatively tight, and the downstream consumption of coke is mainly concentrated in iron and steel enterprises. At the same time, due to the oversupply of coke itself, in most cases, the price of coke is determined by downstream steel companies. In 2012, due to the slowdown of domestic economic growth, downstream steel companies suffered large losses and restricted production. The situation in the coke market reversed, coke prices continued to fall, and the chemical market continued to be depressed. At the same time, the state has further strengthened safety and environmental protection management and control, which has reduced the production capacity of downstream industries and continued to decline in demand. Due to factors such as reduction of production and production restrictions by coking companies, and processing companies seizing the market, the coking industry and the industry have overcapacity, the market competition is fierce, and the overall market for coke and chemical products is weak. In 2014 and 2015, more than half of the companies lost money in the industry.

The coking industry was struggling and encountered a new round of market test and survival crisis. Since 2016, with the advancement of supply-side reforms, companies with weaker market competitiveness and some “zombie companies” in the coal and steel industries have withdrawn from the market. The concentration of production capacity in the coking industry has increased, demand for coke has increased, prices have continued to rise, and inventory levels have fallen. The profitability of coking enterprises has improved significantly. At the same time, due to the influence of environmental factors, the environmental protection requirements of the coking industry are continuously increasing, and coking enterprises have limited production and normalized, and coke production will also be affected.

## 4.3 The internal environment for the implementation of financial strategy in Shanxi Coking's transformation

### 4.3.1 Analysis of corporate resources and capabilities

(1) Enterprise resource analysis

Shanxi Coking is located in Shanxi Province, with abundant coal resources and unique geographical advantages. The holding company Shanxi Coking Coal Group is a large-scale coking coal production enterprise with a complete range of coal types and excellent coal quality. All of these provide a strong resource guarantee and material foundation for the company's transformation and development. The development of coking enterprises and the construction of their core competitiveness are inseparable from abundant coking coal resources. Especially in the case of increasingly fierce market competition, the advantage of raw materials is essential to reduce costs and improve profitability.

(2) Analysis of corporate capabilities

In the case of cyclical overcapacity in the coking industry, the core competitiveness of an enterprise mainly comes from the low-cost advantage of raw materials and a high-quality sales team, including the company's internal proprietary knowledge, technical strength, coking coal resources, product structure, etc. The company has various professional and technical personnel and strong technical force. As a large-scale coal chemical comprehensive utilization enterprise, Shanxi Coking has occupied the market with its high market recognition, good reputation, wide range of products, stable quality and high-quality services. The company's products have a certain brand advantage, the price remains high in the same industry, and it has a broad sales channel and a stable customer base. The company pays attention to product quality and continuously improves user satisfaction. In the fierce market competition, the company has improved its ability to resist market risks.

### 4.3.2 Analysis of corporate financial status

(1) Analysis of solvency

Table 4.1 Shanxi Coking Debt Solvency Index Analysis Table

| Project | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Current ratio | 0.66 | 0.58 | 0.68 | 0.81 | 0.81 | 0.72 | 0.71 | 0.75 |
| Quick ratio | 0.58 | 0.51 | 0.56 | 0.76 | 0.77 | 0.66 | 0.66 | 0.70 |
| Assets and liabilities(%) | 84.99 | 85.48 | 67.09 | 68.24 | 75.71 | 75.53 | 75.61 | 51.54 |
| Equity ratio | 5.66 | 5.89 | 2.04 | 2.15 | 3.12 | 3.09 | 3.10 | 1.06 |

Data source: Compiled and calculated according to Shanxi Coking Annual Report

From the solvency index analysis table, it can be seen that the debt-to-asset ratio at the beginning of the enterprise transformation was as high as 80%, maintaining a high debt level, and then showing a downward trend in the following years, indicating that the long-term solvency of the company from 2011 to 2018 gradually Enhanced. The standard value of my country's corporate property rights ratio is 1.2, and Shanxi Coking's property rights ratio was as high as 5.50 in the first two years of transformation, showing a high-risk, high-reward financial structure. 2011-2017 showed a trend of first decline and then rise, which was higher than the standard value, indicating that Shanxi Coking's financial structure and capital structure were unstable. The company's equity ratio in 2018 was 1.06, and its long-term debt solvency has improved. From the perspective of current ratio and quick ratio, although the company's current ratio and quick ratio have improved compared with the initial stage of the transformation, they are lower than generally accepted standards. Due to the large proportion of inventory in current assets, the company's quick movement The low ratio indicates that the liquidity of the company's assets is poor, the liquidity is insufficient, and the company's short-term debt solvency is weak.

(2) Profitability analysis

Table 4.2 Shanxi Coking Profitability Index Analysis Table

| Project | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| ROE(%) | 4.57 | 2.59 | 0.96 | 0.96 | -27.8 | 1.75 | 3.48 | 24.07 |
| ROTA(%) | 0.75 | 0.40 | 0.23 | 0.23 | -7.54 | 0.43 | 0.69 | 9.60 |
| Sales margin(%) | 0.73 | 0.58 | 0.34 | 0.43 | -24.7 | 1.13 | 1.55 | 20.81 |
| Earnings per share | 0.09 | 0.05 | 0.02 | 0.03 | -1.08 | 0.06 | 0.12 | 1.21 |

Data source: Compiled and calculated according to Shanxi Coking Annual Report

Shanxi Coking's return on net assets, return on total assets, net sales margin, and earnings per share from 2011 to 2015 declined year by year. It started to improve in 2016 and increased significantly in 2018. From 2011 to 2015, the domestic economic growth slowed down, steel companies limited production losses, downstream industry demand fell sharply, coke prices continued to fall, the chemical market continued to slump, the entire industry suffered huge losses, sales and payments were difficult, and the contradiction between capital supply and demand was prominent. Since 2016, the coal and steel industries have "cut overcapacity", which has made the market situation of the downstream iron and steel industry improved, the demand for coke has been increasing, and the profit margin of enterprises has improved significantly. At the same time, the company has adopted a series of measures to reduce costs, and the company's profitability has been significantly improved.

(3) Operational capability analysis

Table 4.3 Shanxi Coking Operation Capacity Index Analysis Table (Unit: times)

| Project | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| Accounts receivable turnover rate | 14.95 | 10.36 | 9.23 | 6.82 | 4.71 | 6.21 | 11.94 | 25.49 |
| Inventory turnover | 16.75 | 11.89 | 10.81 | 9.78 | 12.95 | 11.50 | 15.01 | 17.72 |
| Turnover rate of fixed assets | 1.90 | 1.45 | 1.38 | 1.10 | 0.79 | 1.00 | 1.56 | 1.92 |
| Total asset turnover | 1.00 | 0.66 | 0.67 | 0.51 | 0.32 | 0.38 | 0.55 | 0.46 |

Data source: Compiled and calculated according to Shanxi Coking Annual Report

According to the analysis table of Shanxi Coking Operational Capability Index, it can be seen from Shanxi Coking Co., Ltd. from 2011 to 2015 that due to the loss of iron and steel enterprises and limited production, the price of coke has fallen successively, and the coke and chemical market has fallen sharply. The account turnover rate is decreasing year by year. The coal, coke and steel market continues to decline, the demand from downstream steel companies continues to shrink, the industry is overcapacity, and companies limit production and stop production, resulting in a continuous decline in inventory turnover and asset utilization efficiency. From 2016 to 2018, with the advancement of supply-side reforms, the downstream steel industry market improved. With the growth of terminal demand and supply-side contraction boosted, the utilization rate of blast furnace capacity rebounded, coke inventory level declined, business revenue increased year by year, and operating capacity Significantly enhanced.

(4) Development ability analysis

Table 4.4 Shanxi Coking Development Capacity Index Analysi (Unit: %)

| Project | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| Operating income growth rate | 21.03 | -26.20 | 2.67 | -15.48 | -32.21 | 19.97 | 48.46 | 20.58 |
| Net profit growth rate | -15.18 | -41.47 | -40.26 | 8.26 | -3974.2 | —— | 103.85 | 1521.10 |
| Growth rate of total assets | 19.50 | 6.19 | -3.81 | 24.94 | -1.15 | 1.01 | 3.89 | 81.53 |

Data source: Compiled and calculated according to Shanxi Coking Annual Report

Due to the limited production of steel companies, coke prices have fallen successively, and the company's operating income growth rate, net profit growth rate and total asset growth rate have declined year by year from 2011 to 2013. In 2014, due to the decline in the price of raw coal and the decline in raw material costs, the growth rate of net profit rebounded slightly. In 2015, the coke industry had severe overcapacity, and coke prices repeatedly broke new lows. Corporate profits were severely squeezed and losses increased. Since 2016, Shanxi Coking's operating income growth rate, net profit growth rate and total asset turnover rate have increased year by year, especially the substantial increase in net profit growth rate, indicating that the company's growth ability has improved. The rapid increase in the growth rate of total assets indicates that the expansion of corporate assets is accelerating, and the potential for corporate development and market expansion capabilities are gradually increasing.

Environmental analysis is the basis of corporate financial strategy analysis. The coking industry has a strong cyclical nature and is easily affected by the economic situation and the ecological environment. The coking coal industry has a high industrial chain dependence relationship with steel, metallurgy and other industries. The overall social development model and cyclical changes will trigger the adjustment of national policies, which will inevitably have an inductive impact on the formulation and implementation of corporate development strategies. From the above analysis, it can be seen that Shanxi Coking is a mature enterprise. The adjustment of its development strategy is the extension of the industrial chain under institutional constraints. The development of fine coal chemicals and the integration of coal and coking circular economy have entered a period of transformation and development. . The resources and capabilities of an enterprise are the basis for enterprise transformation and financial strategy implementation. Financial analysis is a necessary means to understand the financial status of a company. The analysis of the company's financial status is helpful to find out the reasons for changes in the company's operating status and lay the foundation for the analysis of financial strategies. Under the background of Shanxi Coking's transformation, whether the implementation of corporate financial strategy can adapt to the current internal and external environment of development, whether it can support the corporate strategy, and effective financial decision-making is the key concern in the implementation of its financial strategy .

## 4.4 Implementation status of financial strategy in Shanxi Coking's transformation

### 4.4.1 Current status of financing strategy

(1) Fund-raising method and fund-raising scale

From 2011 to 2018, Shanxi Coking's external financing method was mainly through bank loans. Among them, the proportion of short-term loans has shown an overall upward trend. The company mainly obtains short-term bank loans through pledge of accounts receivable, while the overall proportion of long-term loans has shown a downward trend. The increasing short-term borrowings year by year brings greater debt repayment pressure and financial risks to enterprises. In general, Shanxi Coking's debt financing continued to increase from 2011 to 2015, and began to decrease in 2016. Due to the slowdown in domestic economic growth from 2011 to 2015, the downstream industry demand continued to shrink, the entire industry suffered huge losses, sales and payment were difficult, and the contradiction between capital supply and demand was prominent. The retained earnings within the company could not meet the needs of corporate development. Large-scale borrowing of foreign debt. Since 2016, the coal and steel industries have "cut overcapacity", making the downstream steel industry market turn for the better, starting to make profits and reducing debt financing. In 2018, the company carried out a major asset reorganization and obtained a short-term loan of 700 million yuan from the bank through pledge of bank acceptance bills and mortgage of land use rights, part of which was used to pay the cash consideration for asset reorganization.

In terms of equity financing, on February 4, 2013, the company privately issued 200 million shares at an issue price of 7.80 yuan per share, and raised funds of 1.56 billion yuan. Reduced the asset-liability ratio, improved the financial structure, and increased the profitability of the company. In order to accelerate the realization of the transformation strategy of circular economy integration, the company non-publicly issued 666 million shares on April 3, 2018, at an issue price of 6.44 yuan per share, and raised 4.292 billion yuan for the purchase of 49% of China Coal Huajin Equity, realized the production of the entire industrial chain of "coal-coking-chemical".

(2) Financing structure

Shanxi Coking has a relatively high debt ratio from 2011 to 2018, and the company's capital costs continue to increase, which has increased the financial burden. The debt-to-asset ratio has gradually declined, but has been at a relatively high level. Further analysis of Shanxi Coking's financing structure reveals that current liabilities account for the vast majority, while non-current liabilities account for a relatively low proportion. The increase in the current debt ratio shows that companies are more dependent on short-term funds. Although the long-term debt repayment ability of enterprises has improved, the financial risk of enterprises is relatively high due to the heavier short-term debt repayment burden. Although the higher debt ratio satisfies the company's demand for a large amount of funds, it has increased the financing risk of Shanxi Coking and at the same time increased the company's operating risk

### 4.2.2 Current status of investment strategy

(1) Investment structure and scale

In terms of investment structure and scale, the company's main investment direction is tangible asset investment, of which fixed assets and construction in progress account for a larger proportion of total assets. Except for 2013, the total amount of fixed assets has decreased year by year, while the total amount of construction in progress Increment. In order to develop the circular economy, at the beginning of the transformation, the company newly added coal washing plant reconstruction and expansion, methanol expansion, methanol to alkene project investment. In 2013, due to the company's coal washing plant reconstruction and expansion project, methanol expansion and No. 5-6 dry quenching technology transformation projects The completion of the conversion into fixed assets increased the total amount of fixed assets in

2013 and decreased construction in progress. In 2014, the investment in the methanol-to-olefin billet project was increased and the coking plant production wastewater advanced treatment and reuse project was added. In 2016, the No. 1-4 coke oven supporting dry quenching project was added. In 2017, the coal yard was fully closed. The investment amount The increase year by year indicates that the company has increased the construction of investment projects during the transformation period. The investment amount is large and the construction period is long, which cannot bring benefits to the company in a short time. The proportion of intangible assets is at a low level. Although there was an increase in 2017, it was mainly due to the increase in intangible assets of subsidiary Feihong Chemical. According to the company's annual report, the amount of R&D investment in 2015-2018 has increased year by year, but all expenses are spent, indicating that the company's ability to transform R&D investment results is weak. In terms of long-term equity investment, the company's changes from 2011 to 2017 were only affected by changes in the profit of an associate Shanxi Coking Group Linfen Construction and Installation Co., Ltd., and the company's outbound investment was relatively low. The substantial increase in long-term equity investment in 2018 was due to the purchase of a 49% stake in Shanxi China Coal Huajin Energy Co., Ltd. In general, the company's investment scale from 2011 to 2015 continued to expand, mainly in the construction of internal investment projects, and began to shrink in 2016.

(2) Investment benefits

Shanxi Coking's investment returns from 2011 to 2015 showed an overall downward trend, which shows that the efficiency of asset utilization is reduced and the income from investment is getting less and less. The company's investment income mainly comes from the joint venture Shanxi Coking Group Linfen Construction Installation Co., Ltd. Changes in profits. In 2013, due to the disposal of long-term equity investments, investment income increased significantly. The improvement after 2016 and the substantial increase in investment income in 2018 was due to the newly invested joint venture Shanxi China Coal Huajin Energy Co., Ltd., which achieved profitability and received cash dividends. Enterprises continue to increase investment in projects. Due to the long construction period, they cannot produce economic benefits in time, resulting in low investment returns for enterprises. In addition, under the condition of tight market liquidity, the financing cost of state-owned enterprises will be lower than the market interest rate, thus causing the investment impulse of state-owned enterprises, making them blindly believe that as long as they continue to invest, they will bring growth. The scale of it will expand rapidly. The result is inefficient investment, even lower than financing costs, leading to rapid depletion of corporate cash.

### 4.4.3 Status Quo of Dividend Distribution Strategy

According to the "Articles of Association" of Shanxi Coking, the company's dividend distribution method adopts cash, stocks or a combination of cash and stocks, and preferential distribution of profits through cash dividends. The company's profit distribution is based on the premise that it does not harm the company's sustainable development, and the distribution amount shall not exceed the cumulative profit available for distribution. After the company's net profit makes up for losses and withdraws surplus reserves, the rest is distributed according to the shareholders' shareholding ratio. It can be seen that the dividend policy implemented by Shanxi Coking is a residual dividend policy.

In addition to the company's losses in 2015, the profits realized in 2011-2017 plus the undistributed profits at the beginning of the year failed to make up for the losses of the previous years, and the actual profits available for distribution to shareholders were negative. According to the relevant provisions of the Articles of Association, the profits did not meet The conditions of the distribution, therefore, no cash dividends were made, and no capital reserve was used to increase share capital. According to the company's 2018 profit distribution plan: based on the total share capital of 1.516 billion shares on April 11, 2019, a cash dividend of 2 yuan per 10 shares will be distributed to all shareholders, and a total cash dividend of 303 million yuan (tax included) will be distributed, accounting for 19.78% of the net profit attributable to shareholders of listed companies in 2018.

Through the analysis of the status quo of corporate financing strategy, investment strategy and dividend distribution strategy, it can be found that during the transformation period, Shanxi Coking has continuously increased short-term debt financing for the construction of internal investment projects, continuously expanded the scale of total assets, and basically did not distribute dividends. The strategy is biased towards expansionary financial strategies.

## 4.5 Evaluation of the implementation effect of financial strategy in Shanxi Coking's transformation

### 4.5.1 Evaluation of Financial Strategy Matrix

Table 4.5 Shanxi Coking Financial Strategy Matrix Numerical Table (Unit: %)

| coordinate | Project | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| X-axis | Sales growth rate minus sustainable growth rate | 16.17 | -28.84 | 1.98 | -16.17 | 0.35 | 18.21 | 44.96 | 4.76 |
| Y-axis | Investment capital return rate minus capital cost | -0.21 | -2.51 | -4.73 | -4.13 | -12.26 | -3.30 | -4.06 | 2.13 |

Data source: Compiled and calculated according to Shanxi Coking Annual Report

Draw the 2011-2018 financial strategy matrix of Shanxi Coking according to the above table.

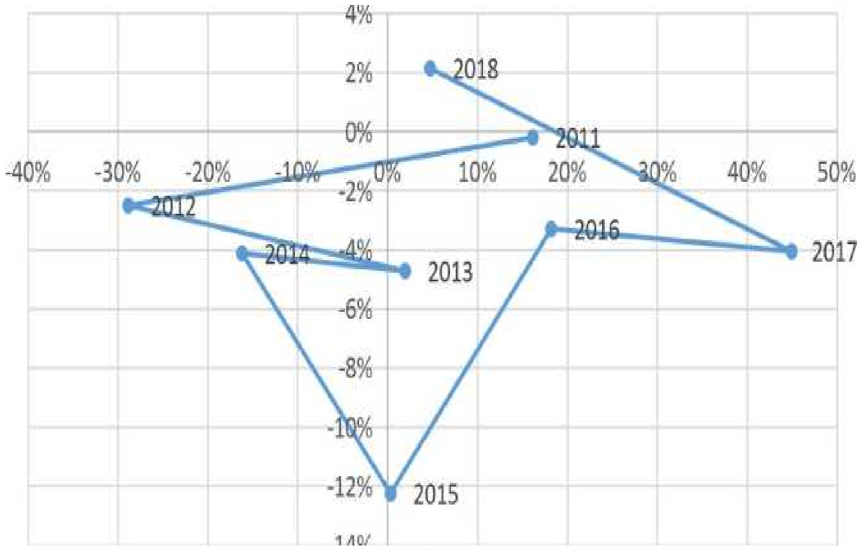

Figure 4.1 Shanxi Coking Financial Strategy Matrix Chart

As can be seen from the above figure, Shanxi Coking is in the third and fourth quadrants from 2011 to 2017. Except for value creation in 2018, other years are in a state of devaluation. The capital status of the company is unstable, and in most cases it is in a state of cash shortage.

In terms of value creation, Shanxi Coking's business performance continued to decline from 2011 to 2015. After-tax operating profit margin and operating asset turnover rate have been declining year by year, and corporate profitability has decreased year by year, while the cost of capital has increased year by year during the same period. The return on investment capital is lower than capital. Cost reduces shareholder value. After 2016, with the advancement of supply-side reforms, the company's operating efficiency has gradually improved, and the company's profitability has increased, but it is still lower than the cost of capital, which reduces shareholder value. In 2018, the company's operating performance improved significantly. Long-term equity investment was obtained through the issuance of equity securities, which increased share capital and capital reserves. At the same time, the company received cash dividends from the investees, which increased investment income, making the return on invested capital greater than the cost of capital, and creating value for shareholders.

In terms of funding status, Shanxi Coking was located in the fourth quadrant of the financial strategy matrix in 2011, with cash shortages. The company expanded sales this year, actively promoted the implementation of its major customer strategy, and established stable cooperative relationships with large steel companies such as Shougang, Baosteel, Hebei Iron and Steel, and Taiyuan Iron and Steel, and achieved zero inventory of the company's coke products. Coke oven equipment is fully loaded and the price of coke and chemical products has increased, which has improved the sales growth rate this year. During the same period, the price of raw materials and electricity has risen, which is limited by energy conservation, emission reduction and transportation capacity, coupled with the shortage of funds and interest rate hikes. The sustainable growth rate is lower than the sales growth rate, and there is a cash shortage.

2012 is in the third quadrant of the financial strategy matrix, with cash surplus. Due to the loss of iron and steel enterprises and limited production, coke prices have fallen successively, the company's coke sales have decreased, and the company's sales business has shown a negative growth. Due to the decline in net sales margin and total asset turnover, the sustainable growth rate has been reduced. Sales growth rate is less than sustainable growth rate, cash surplus.

2013 is in the fourth quadrant, corresponding to the cash shortage in the financial strategy matrix. As the company’s sales revenue in 2013 increased compared with 2012, while the net sales margin was declining, the growth rate of operating costs was higher than the growth rate of operating revenue. The increase in revenue did not increase profit, and the increase in accounts receivable this year made the company The capital turnover speed and operating efficiency of the company have decreased, and there is a shortage of cash. The profitability and growth of the company are worrying.

2014 is in the third quadrant, corresponding to the cash surplus in the financial strategy matrix. Due to the sharp decline in the coke and chemical markets, sales and payment are difficult, the sales growth rate has fallen sharply, and the sustainable growth rate has remained at the level of the same period of the previous year.

Both 2015-2017 are in the fourth quadrant, corresponding to the cash shortage in the financial strategy matrix. 2018 is in the first quadrant, corresponding to the shortage of value-added cash in the financial strategy matrix. In 2015, due to the continuous decline of the coal, coke and steel market and the continued downturn in product prices, the company suffered huge losses and huge operating pressure. The company continued to increase the scale of investment in projects under construction and the problem of cash shortages intensified. Beginning in 2016, the price of steel has been adjusted back, driven by the real estate industry, automobile industry, and infrastructure investment. With the increase of national environmental protection policies and the continuous recovery of blast furnace capacity utilization, the coke gap caused by the rise in coke prices has played a key supporting role. In 2017, the price of coke in my country fluctuated at a high level, and sales revenue increased by 48.46% from the previous year. At the same time, the company took a series of measures to reduce costs, improve production efficiency, and significantly improve corporate performance. Sales growth rate and sustainable growth rate increased, and sales growth rate was greater than the sustainable growth rate, resulting in a shortage of cash.

In summary, since the transformation of Shanxi Coking in 2011, the survival and development of coking companies have faced enormous challenges due to the slowdown of domestic macroeconomic growth, industrial restructuring, and industry overcapacity. Since 2016, with the in-depth implementation of the supply-side reform "de-capacity" policy, corporate profitability has improved significantly. In order to adapt to the company’s overall development strategy and achieve a smooth transition, according to the financial strategy matrix, Shanxi Coking should implement a defensive shrinking financial strategy during the transition period to increase cash inflows as much as possible, reduce cash outflows, make full use of existing assets, and cut costs. Increase market competitiveness and achieve sustainable development.

### 4.5.2 Evaluation of the matching of financial strategy and enterprise strategy


Figure 4.2 Overall score change trend graph

Data source: Compiled and calculated according to Shanxi Coking Annual Report

The overall score change of Shanxi Coking's financial strategy shows an overall upward trend, indicating that Shanxi Coking's financial development trend from 2011 to 2018 is rising, reflecting the company's implementation of an expansionary financial strategy. The overall score changes of corporate strategy can be divided into two stages. From 2011 to 2015, the overall financial performance of enterprises showed a downward trend, dropped to zero in 2015, and began to rise after 2015. This volatility is broadly consistent with the changes in the overall market environment of coal, coking and steel industries. Based on the above analysis, from 2011 to 2015, due to the continuous decline of the coal, coke and steel market, the continued downturn in product prices, the overall problem of overcapacity in the industry, and the overall cyclical recession, corporate performance declined year by year, with a loss of 831 million yuan in 2015 . During this period, Shanxi Coking has increased short-term debt financing year by year to expand the scale of total assets, increasing financial and operating risks.

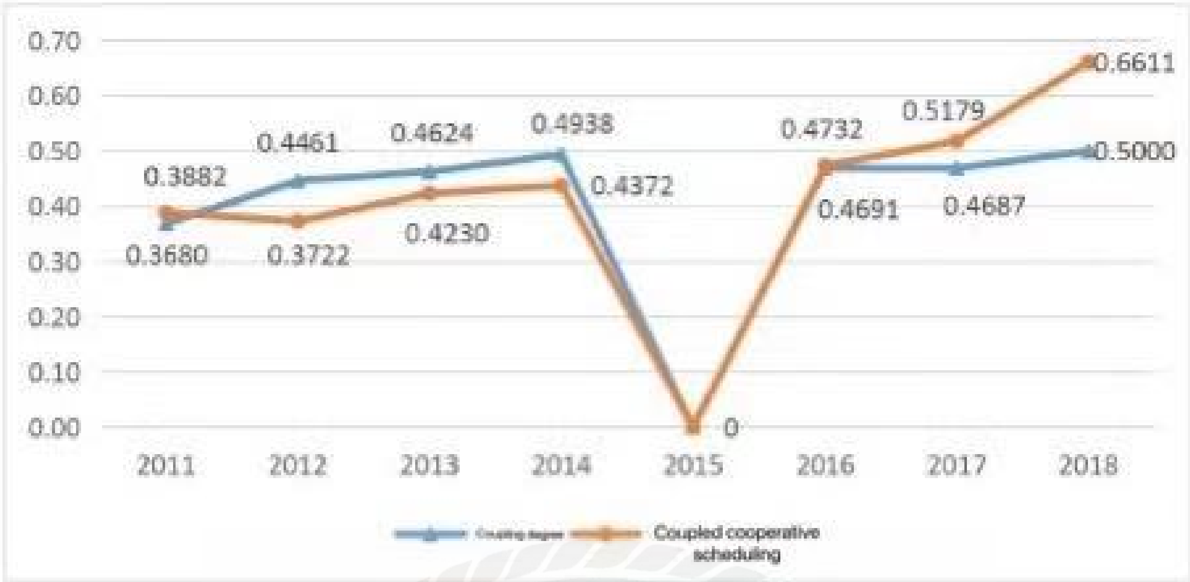


Figure 4.3 Timing diagram of coupling degree and coupling coordination degree

Data source: Compiled and calculated according to Shanxi Coking Annual Report

Note: [0, 0.3] is the low-level coupling stage, (0.3, 0.5] is the antagonistic stage, (0.5, 0.8] is the running-in stage

The degree of coupling development of Shanxi Coking's financial strategy and corporate strategy from 2011 to 2018 has roughly gone through three stages. On the whole, it is at a low level and cannot be coordinated. Coupling and coordinated development is affected by the cyclical changes in the coal, coking and steel market environment. It grew slowly from 2011 to 2014 and was at a stage of antagonism. In 2015, it was extremely out of balance. In 2016, due to the improvement of the downstream steel industry market, coke demand increased, coke prices continued to rise, corporate performance improved year by year, and the degree of coupling between financial strategy and corporate strategy continued to increase, and the growth rate was faster than the previous stage. After 2017, the transition to the running-in stage, the synergy between the various elements in the system has also been continuously enhanced, and reached the primary level of coordination in 2018.

## 4.6 Problems in the financial strategy in the transformation of Shanxi Coking

(1) Over-reliance on short-term borrowing capital structure imbalance

According to the financial strategy matrix, Shanxi Coking should implement a defensive contraction-type financial strategy during the transformation period, reduce external financing and reduce the debt ratio. The financing structure of Shanxi Coking has always been based on debt capital, and short-term loans are the main debt capital. Short-term loans are under heavy repayment pressure, and high financial costs have further reduced the company’s profits and increased the company’s operations. risk. From 2011 to 2015, due to the loss of iron and steel enterprises and limited production, the price of coke fell successively. The company’s operating performance continued to decline, but the total assets continued to grow. Because the company maintained its current business and completed investment projects under construction, the company's required funds did not come from The internal retained earnings of the company are raised externally, and over-reliance on financial leverage increases the company's financial risks. If it is not adjusted in time, the company's continued operations will be seriously affected.

(2) The investment scale is too large and the investment benefit is low

The defensive shrinking investment strategy requires companies to reduce the scale of investment, rationally use funds, and improve the efficiency of capital use. According to the analysis of the investment scale and investment structure of Shanxi Coking, during the transformation period, despite the sharp decline in the coke and chemical markets and the prominent contradiction between capital supply and demand, the investment scale is still continuously expanded, and the investment is invested in a long construction period, large capital demand, and short time. Projects that are difficult to withdraw funds have low investment efficiency. In addition, the company's investment in research and development has been increasing year by year, but its proportion of operating income is low, and all expenses are costed, and the ability to transform results is insufficient, which cannot meet the technical requirements in the process of enterprise transformation.

(3) Unreasonable dividend distribution

The defensive contraction-type dividend distribution strategy generally requires the company to implement a high dividend payment strategy, but such high dividend payment should not harm the funds needed for the future development of the company. Due to the deterioration of Shanxi Coking's operating performance from 2011 to 2015 and the continuous decline in profit levels, the company does not have the ability to pay cash dividends, and the payment of dividends will make the company's already tight funds become more scarce, affecting the company's daily operations or new Investment opportunities, in this case, the company implemented a residual dividend policy. Since 2016, its operating performance has gradually improved, and the profit level of the company has increased. A fixed dividend payment rate policy or a low normal dividend plus an additional dividend policy can be adopted to maintain shareholder confidence in the company and also benefit the company's refinancing needs. In addition, according to agency theory, implementing a dividend policy with a high dividend payout rate can prevent managers from over-investing, thereby reducing agency costs and creating value for shareholders.

(4) The degree of matching between financial strategy and corporate strategy is not high

According to the evaluation model for the coupling and coordination of financial strategy and corporate strategy in Shanxi Coking's transformation, the level of coupling and coordination between financial strategy and corporate strategy during the transformation of Shanxi Coking is not high, and it is in the stage of different degrees of antagonistic running-in. It has not yet formed a benign interaction.

# 5. CONCLUSION

## 5.1 Conclusion

(1) The financial strategy in the transformation of Shanxi Coking Company cannot adapt to environmental requirements. The coking coal industry has a high industrial chain dependence relationship with steel, metallurgy and other industries. The overall social development model and cyclical changes will trigger the adjustment of national policies, which will inevitably have an inductive impact on the formulation and implementation of corporate development strategies. Under the background of macroeconomic operation and changes in the industry development pattern, Shanxi Coking has adjusted its development strategy, extended the industrial chain on the basis of the existing industry, and developed the integration of coal and coking circular economy, and the company has entered a period of transformation and development. Analyzing the internal and external environment of the implementation of the financial strategy in Shanxi Coking's transformation, it is found that the company is in a period of cyclical decline during the transformation period. Combined with the financial strategy matrix, Shanxi Coking should implement a defensive shrinking financial strategy. During the transformation period, the company has carried out a large amount of external financing for the expansion of its asset scale, and implemented an expansion-type financial strategy. The actual financial strategy of the enterprise does not conform to the principle of the financial strategy matrix, and there are problems such as unbalanced capital structure, excessive investment scale, low investment efficiency, insufficient technological innovation, and unreasonable dividend distribution.

(2) The financial strategy in the transformation of Shanxi Coking Chemical Company cannot well support the overall development strategy of the enterprise. Through the evaluation of the matching between the financial strategy and the corporate strategy in Shanxi Coking's transformation, it is found that the investment strategy during the corporate transformation is the main factor affecting the implementation of the financial strategy; the degree of coupling and coordination between the financial strategy and the corporate strategy is not high, and a benign interaction has not yet formed , The financial strategy of an enterprise cannot well support the enterprise strategy, and there is still much room for improvement in the degree of matching and coordination between the two.

## 5.2 Suggestions

(1) Strengthen investment evaluation to control investment scale

According to the previous analysis, Shanxi Coking's investment strategy is the main factor affecting the implementation of the financial strategy, and the blind expansion of the investment scale is one of the main reasons for the financial difficulties of Shanxi Coking. In the economic downturn in the industry, companies continue to increase external financing for internal project construction. The investment cycle is long and it is difficult to generate income in the short term, which increases the debt repayment pressure of the company and depletes its value. Therefore, the adjustment basis of Shanxi Coking's investment strategy is to improve the evaluation of investment projects and control the scale of investment. Controlling the scale of investment is an important means to increase the rate of return on investment. In the current situation of "de-capacity", companies should control the scale of investment within a range that matches market capacity to reduce capital outflows. In the process of evaluating investment projects, we must first consider the feasibility of the investment project, examine the funds required for the investment project, and predict the benefits and potential risks it may bring to determine whether the company has the ability to invest , Whether the profit and risk are acceptable. Second, the investment management department will form an investment project evaluation report, make a detailed budget, and submit it to the higher-level department for approval. Finally, during the implementation of the investment project, the implementation progress and quality of the project should be supervised, and when the actual and budget differ greatly, corresponding adjustments should be made in time to avoid losses.

(2) Change the direction of investment and accelerate the transformation of enterprises

When the industry market situation improves, companies can invest funds in areas that are conducive to improving the quality and efficiency of their operations, actively adjust the direction of investment, reduce ineffective investment, and improve investment efficiency. The "Thirteenth Five-Year Plan for the Coking Industry" refers to the need to vigorously develop five strategic emerging industries, including new energy, new chemical materials, fine chemicals, modern coal chemicals, and energy conservation and environmental protection. The current "Thirteenth Five-Year Plan" requires that green development and clean utilization should be combined. Leading green development and clean energy are a powerful guarantee for the sustainable development of enterprises. Shanxi Coking should increase investment in clean energy research and development to minimize the impact of coal development and utilization on the ecological environment. Promote technological innovation, change development thinking, and seek new profit growth points. Secondly, under the strategic opportunity of "One Belt One Road", we can seek more overseas investment business, expand overseas markets, and enhance the international competitiveness of enterprises.

(3) Improve capital operation ability and develop circular economy

According to the previous analysis, Shanxi Coking mainly uses short-term debt financing for the construction of internal investment projects, with large investment scale and long construction period. From the perspective of value creation and sustainable growth, when the rate of return on invested capital is higher than the cost of capital, expansion of investment will bring about value growth. Shanxi Coking's return on investment capital from 2011 to 2017 is less than the cost of capital, which reduces the value and blindly increases investment. As a result, investment efficiency is low, and even the rapid depletion of corporate cash. In this regard, the company should clarify its own conditions, strictly control or appropriately reduce the scale of investment, and avoid a large amount of cash outflow from the company in investment activities.

At present, Shanxi Coking mainly produces coke, which accounts for more than 70% of its output value. Other products are small in scale and have low added value and are vulnerable to upstream coal supply and downstream steel industry. Therefore, if enterprises want to achieve sustainable development, they must accelerate the transformation of economic growth mode and develop a circular economy. In recent years, Shanxi Coking has been affected by the downstream iron and steel market, and coke production has decreased and prices have fallen, which has seriously hindered the development of the enterprise. At the same time, this also creates opportunities for Shanxi Coking to broaden its business scope and carry out low-cost expansion. Shanxi Coking can continue to extend the coking industry chain through horizontal and vertical mergers and acquisitions of companies that have difficulty in survival but have certain development experience, increase product added value, optimize resource allocation, enhance market competitiveness, and lay the foundation for the development of circular economy.

(4) Increase R&D investment to improve achievement transformation

Technological innovation is the core of leading the new normal. The competition of talents and technology is the key to enterprise competition. Expanding the coking industry chain and increasing the added value of products, the focus is on implementing innovation-driven. According to the company's annual report, Shanxi Coking's R&D investment increased year by year from 2015 to 2018, but R&D investment accounted for a relatively low proportion of operating income, which was 0.88% in 2018, and the total cost was high, and the achievement conversion rate was low. Shanxi Coking should aim at the “high-precision” technology field, actively reserve transformational traction projects, and comprehensively promote the development and application of clean and efficient coking technology and equipment. For example, taking the current advanced microwave technology application in the industry as the core, carry out the research and development of a series of emerging material technologies such as high-power synthetic diamond, high-strength high-modulus carbon fiber, and full-spectrum solar lamps. Speed up the transformation and upgrading of equipment in the coking industry, and design, construct and supervise in strict accordance with the latest national and Shanxi emission standards. Strengthen scientific and technological research, use new technologies and new processes to extend the industrial chain, promote deep processing and high-end comprehensive utilization of coking products, and increase the added value of coking products. Introduce new technologies such as cloud computing, big data, and artificial intelligence to build informatization and intelligent factories. Establish a collaborative innovation platform for enterprises, universities, and scientific research institutions, master the advanced science and technology of the industry, accelerate the transformation of innovation achievements, and realize enterprise transformation and development.

(5) Adopt diversified financing to ease the shortage of funds

In the early stage of the transformation of Shanxi Coking, the market situation is sluggish. Reasonable financing methods should be adopted to ease the debt repayment pressure of enterprises during the transformation period, reduce financial risks, and avoid financial crisis affecting the transformation of enterprises. Since the company is in a period of transformation and development, it needs to use a lot of funds. According to the analysis of the financing strategy above, the company has mainly relied on short-term borrowing to raise funds since its transformation. The proportion of long-term borrowing and equity financing is relatively low, and the debt-to-asset ratio is above 50%. Short-term debt repayment pressure is high. In order to meet the needs of enterprise development and reduce financial risks, Shanxi Coking should mainly use equity and long-term debt financing. As a listed company, a company can make full use of the financing advantages of the financial market to broaden its financing channels. For example, equity capital can be raised through private placement of stocks, the introduction of strategic investors, etc., and used to repay debts due; it can also be used to raise long-term funds through the issuance of bonds to meet the development of the company.

In recent years, huge debts have increased the financial leverage of enterprises, and financing costs have continued to increase. High interest expenses will reduce corporate profits and affect corporate value creation and long-term development. Shanxi Coking should reduce this negative impact caused by financial leverage. In addition, Shanxi Coking has a high debt-to-asset ratio and weak solvency. It should strengthen the management of financing activities and establish a debt risk early warning mechanism. First of all, in the fund-raising management, it is important to consider the enterprise's fund-raising needs, fund-raising deadlines and operating risks. Second, establish a debt risk early warning mechanism to enable companies to detect possible debt risks and make timely adjustments, thereby reducing debt risks and ensuring smooth transformation of the company.

In 2016, with the improvement of the overall coking industry market situation, the company's economic benefits and profits have continued to increase, which can increase the proportion of internal financing, balance the financing structure, and use its own accumulated retained earnings to raise funds. In addition, Shanxi Coking has a large scale and good credit. It can use its own commercial credit in the upstream and downstream markets for external financing and reduce financing costs through accounts payable and advance receipts. This can not only effectively reduce the level of financial leverage of the company, but also enhance the company's ability to deal with financial risks and reduce operating risks.

My country is in a critical period of industrial transformation and upgrading. In order to promote the rapid development of related industries, the government will take measures to provide funds and policy support for the transformation and upgrading of industries. The "Shanxi Province Coking Industry High-Quality Green Development Action Plan" pointed out that it will make every effort to promote the construction of key coking upgrading projects and provide special financial support for technological transformation; establish various industrial funds to support the green development of enterprises, such as strategic emerging industry guidance funds, coal cleaning Efficient use of investment funds, etc.; optimize the credit structure of various financial institutions, increase credit support for high-end product processing projects of coking enterprises, and vigorously support the transformation and upgrading of coking enterprises. Shanxi Coking can use this as an opportunity to further expand financing channels, make full use of national preferential policies to obtain financial support, and promote the transformation and upgrading of enterprises.

(6) Reasonable distribution of dividends to create a good image

Shanxi Coking is in a critical period of transformation. It should combine the changes in the internal and external environment and the development of the company to formulate a reasonable dividend distribution policy so that the dividend distribution strategy can support the implementation of the company's overall strategy. Companies can use stock dividends instead of cash dividends. Payment of stock dividends will not cause cash outflows, nor will it reduce the company’s wealth. The market and investors generally believe that if a company pays stock dividends, it usually means that the company will have greater development and growth. This kind of information transmission will not only stabilize the stock price, but even increase the stock price. On the one hand, the company can expand endogenous financing. Because the company is in a period of transformation and development, it needs a lot of funds. The distribution of stock dividends can reduce a large amount of cash outflows from the company. On the other hand, by distributing stock dividends, companies can attract more investors while lowering the price of each stock market, and can also send a positive signal to the market at a lower cost. After the company's performance improves, a policy of low normal dividends plus additional dividends can be implemented, with a lower fixed amount of dividends paid each year, and additional dividends based on actual earnings when there is more surplus. This will not only help the company to flexibly control the allocation of funds, but also help maintain the stability of the stock price and enhance shareholders' confidence in the company.

Shanxi Coking has poor operating efficiency in recent years, which will reduce the enthusiasm of employees to a certain extent. Companies can improve employee enthusiasm and work efficiency through equity incentives. Equity incentive is an effective incentive method, which combines the short-term and long-term interests of the enterprise and the interests of owners and operators. By giving employees part of the equity, the interests of employees are aligned with the interests of the company, thereby improving employees' enthusiasm for work and loyalty to the company, and more diligently serving the long-term development of the company.

(7) Improve internal financial control and strengthen strategic coordination

Controlling financial activities is an important part of financial strategic management. Corporate financial control is an important part of corporate internal control, and an effective financial control system should be included in the corporate internal control system. In the enterprise value chain, financial management business is related to production, marketing and other businesses. Shanxi Coking should integrate financial strategic management into the overall business activities of the company to realize the coupling and coordination of financial activities and other business activities. An enterprise should establish an internal financial control system from the perspective of financial management. It must not only conform to the laws and principles of financial management, but also consider other businesses of the enterprise, coordinate the relationship between financial business and other businesses, and provide support for the realization of corporate strategic goals.

# REFERENCES


Anonymous. (2017). SJ company as an example. *Accounting Communications*, (32), 81-86.

Cao, Y. S. (2010). Corporate financial strategy: Is the financial in the corporate strategy or the corporate strategy in the financial?. *Jiangxi Social Sciences*, (9), 87-91.

Chai, Y. Y. (2019). Corporate financial strategy selection based on financial strategy matrix. *Finance and Accounting Newsletter*, (8), 66-70.

Chandler, D. A. (1977). *The visible hand: The managerial revolution in American business*. Cambridge: Harvard University Press.

Dai, T. Q., Zhang, R., & Tang, G. L. (2012). Financial strategy drives corporate profit model-A case study of the U.S. apple's asset-light model. *Accounting Research*, (11), 23-32.

Gu, Z. J. (2016). Trigger design for matching corporate overall strategy and financial strategy. *East China Economic Management*, *30*(12), 129-134.

Harrison, E. F. & John, C. H. (2001). Financial decision-makingin a high growth company. *South African Business Review*, *86*(5), 335-3 50.

Hou, L. W. (1993). Research on corporate financial strategy. *Finance and Accounting Newsletter*, (2), 19-22.

Hu, Y. B. (2017). Research on the financial strategy of enterprise 020 transformation under the background of the Internet, taking Suning Yunshang as an example. *Accounting News*, (26), 62-65.

Li, B. J. & Li, T. T. (2018). Research on the transformation of real estate enterprises' asset-light operation model-taking Vanke group as an example. *Journal of Guangxi University (Philosophy and Social Sciences Edition)*, *40*(4), 48-54.

Liu, J. M. & Liao, Z. C. (2018). Research on the evaluation and improvement paths of enterprise group financial execution. *Journal of Hunan University of Science and Technology (Social Science Edition)*, *21*(3), 135-141.

Mao, M. J. (2015). Financial strategy selection based on the theory of enterprise life cycle. *Finance and Accounting Newsletter*, (29), 59-61.

Marshall, A. (1965). *Principles of economics*. London: Macmillan.

Owusu, E. (2017). The financial strategic target of the investment market. *Journal of Hospitality and Tourism Management*, *33*.

Peng, H. (2015). Discussion on how financial strategy supports enterprise development strategy. *Managers*, (6), 134-135.

Qi, Y. H. (2017). Corporate financial strategy under the asset-light operation model: Taking Xiaomi mobile phones as an example. *Finance and Accounting*, (8), 58-62.

Qian, Q., Li, J. Y., & Zhang, F. (2018). Research on the financial strategy of the coal industry under the background of the “Thirteenth Five-Year Plan” - Taking China God as an example. *Finance and Accounting Monthly*, (13), 111-118.

Smith, A. (2015). *The wealth of nations*. Guo, D. L. & Wang, Y. N., translated. Beijing: Beijing Diwu Press.

Tang, G. L. (2007). Adding strategic connotation to investment. *New Finance*, (5), 54-56.

Taylor, M. P. (2013). What is good university financial management?. *Perspectives: Policy* *and Practice in Higher Education*, 17(4), 141-147.

Walter, J. E. (1997). *Financial strategies for managers*. New York: John Wiley & Sons Inc.

Wang, H. C. (2006). *The theoretical structure of financial management*. Beijing: Renmin University of China Press.

Wang, H. C., Zhang, S. B., & Wen, W. (2012). Research framework of generalized financial management theory from a strategic perspective. *Journal of Beijing University of Technology and Business (Social Science Edition)*, *27*(6), 52-57.

Yan, D. W. & Lu, Z. F. (2000). On the relative independence of financial strategy-and on the basic characteristics of financial strategy and financial strategy management. *Accounting Research*, (9), 2-6.

Yan, J. (2018). Research on the relationship between debt financing and corporate performance. *International Business Finance and Accounting*, (6), 41-48.

Zhang, D. L. & Wei, X. (2013). The signal effect of financial strategy, credible commitment and specific asset investment. *Journal of Zhongnan University of Economics and Law*, (1), 97-101.

Zhang, H. (2014). Research on financial ability evaluation and corporate management strategy of listed companies. *Market Modernization*, (22), 192-194.

Zhang, T. (2011). The application of financial strategy matrix in corporate financial strategy. *Company Research*, (22), 139-140.

Zhang, Y. (2013). Research on corporate strategic performance evaluation based on the integration of EVA and BSC. *Friends of Accounting*, (22), 13-15.

Ansoff, H. I. (1965). *Corporate strategy: An analytic approach to business policy for growth and expansion*. New York: McGaw-Hill.

Bao, K. X. (2019). Research on financial strategy in Huayi brothers strategic transformation. *Accounting Newsletter*, (8), 71-75.

Bender, R., & Ward, K. (2013). *The company's financial strategy*. New York: Wiley.

He, Y., & Hu, Y. (2016). Dell's value creation and management analysis based on the asset-light profit model. *Finance and Accounting*, (6), 37-40.

Liu, D. M. (2015). Corporate financial strategy response under the transformation of 020 mode. *Finance and Accounting*, (17), 16-18.

Liu, Z. Y. (1997). *Corporate financial strategy*. Dalian Dongbei University of Finance and Economics Press.

Sun, L. H., & Ni, Q. D. (2016). Corporate financial strategic management based on the perspective of value chain management. *Shandong Social Sciences*, (10), 126-130.

Zhao, B. T. (2018). Research on financial strategy of real estate enterprise transformation based on asset-light profit model. *Finance and Accounting News*, (11), 75-78.

Zhao, S. W., & Zhao, Y. (2018). The renewal and reconstruction of corporate financial strategy in the context of supply-side structural reform. *Reform and Strategy*, *34*(2), 98-101.

Zhou, H. (2014). Analysis of the impact of corporate financial strategy under core competitiveness. *Accounting Communications*, (26), 65-66.