THE FACTORS INFLUENCING FINANCIAL RISK MANAGEMENT OF SANY HEAVY INDUSTRY COMPANY

LIUXIAOHUA

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LIUXIAOHUA

This Independent Study Has Been Approved as a Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

Advisor .....
(Dr. Zhang Li)

Date: 7 / 11 / 2024

.....
(Associate Professor Dr. Jomphong Mongkhonvanit)
Dean, Graduate School of Business

Date 27 / 05 / 2025

Title: The Factors Influencing Financial Risk Management of Sany Heavy Industry Company

Researcher: Liuxiaohua

Degree: Master of Business Administration

Major: Finance and Accounting Management

Advisor: .....

(Dr. Zhang Li)

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ABSTRACT

This study used Sany Heavy Industry CO. LTD. as a case study to investigate the influencing factors of financial risk management in construction machinery enterprises, aiming to improve the risk management capabilities of construction machinery enterprises.

Based on the risk management theory, the objectives of this research were: (1)To explain the current state of financial risk management at Sany Heavy Industry; (2) To examine the factors influencing Sany Heavy Industry's financial risk management; (3)To propose optimization strategies for Sany Heavy Industry's financial risk management.

This study employed the quantitative research method using a questionnaire survey, targeting employees of Sany Heavy Industry. A total of 450 questionnaires were collected, with 433 valid responses. The effective response rate was 90.21%. The research hypotheses were tested through data analysis methods.

The study finds that: (1) There are inconsistencies in understanding and implementing macroeconomic responses across different departments at Sany Heavy Industry, as evidenced by high standard deviations. In terms of enterprise capital structure, the company shows weaknesses in diversifying financing channels and equity financing plans. Regarding corporate governance, there are differences in organizational structure, the role of the board of directors, and employees' understanding of risk management policies; (2) Macroeconomic environment, enterprise capital structure, and corporate governance all have a positive impact on Sany Heavy Industry's financial risk management. (3) The company can enhance its market competitiveness by optimizing financial risk management strategies through strengthening macroeconomic analysis and response, optimizing enterprise capital structure, and enhancing corporate governance.

This study, through a case analysis of Sany Heavy Industry Co., Ltd., thoroughly examines the influencing factors of financial risk management in construction

machinery enterprises and their optimization strategies. The research findings not only provide specific improvement suggestions for Sany Heavy Industry but also offer valuable references and insights for financial risk management practices across the entire construction machinery industry.

Keywords: Sany Heavy Industry, enterprise risk management, financial risk management

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LIU XIAO HUA

LIUXIAOHUA

DECLARATION

I, LIUXIAOHUA , hereby declare that this Independent Study entitled" The Factors Influencing Financial Risk Management Of Sany Heavy Industry Company" is an original work and has never been submitted to any academic institution for a degree.

LIUXIAOHUA

LIUXIAOHUA

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Chapter 1 Introduction

1.1 Background of the Study

Manufacturing is the backbone of the national economy. Over the past few decades, the global manufacturing industry has undergone tremendous changes, particularly with significant achievements in technological innovation and sustainable development. However, as China's manufacturing sector continues its rapid development and globalization, the market competition and risks that manufacturing will face in future stages are becoming increasingly significant. In today's rapidly advancing technological landscape and increasingly diversified market economy, construction machinery companies also face many uncertainties. Whether these companies can seize the opportunities brought by environmental changes or manage the risks posed by these uncertainties depends on their ability to analyze potential risks and propose preventive measures before risks occur, ensuring healthy and sustainable development.

The "14th Five-Year Plan" emphasizes that supply-side structural reform is the main thread of sustained development. The manufacturing sector, especially the heavy industry and construction machinery fields, must undergo quality, efficiency, and power transformations. The success or failure of industrial development will directly impact the long-term competitiveness of the national economy. In recent years, however, an increasing number of manufacturing companies have collapsed. Analysis reveals that many of these companies failed due to a lack of financial risk management, ultimately leading to their downfall. Furthermore, with the reform of national economic policies and the acceleration of global economic integration, the competitive and operating environments for companies have become more complex. Companies must take measures to enhance their market competitiveness, consolidate their market positions, and maintain sufficient strength for future development. Adapting to changing times, companies need to prioritize financial risk management to ensure development. Additionally, Li (2020) believed that effective financial risk management contributes to improving financial management standards and reducing operational risks. Identifying financial risk factors and monitoring financial risks can enable effective management of all financial activities, improving the accuracy and authenticity of a company's financial data. When conducting financial management, companies can better prevent potential problems and identify deficiencies in their operations. By focusing on key aspects of financial management, companies can improve their financial management levels, provide crucial data for business decisions, and lay the foundation for achieving greater economic benefits.

Against this backdrop, Sany Heavy Industry, as a leading company in China's construction machinery manufacturing industry, offers important insights for the industry through its practices and experience in financial risk management. Therefore, this study uses Sany Heavy Industry as a case to deeply analyze the influencing factors of financial risk management in construction machinery companies, aiming to provide

strategic suggestions and theoretical support for the high-quality development of China's construction machinery industry.

1.2 Problem of the Study

In a market economy, corporate financial risk management is an essential part of business operations. It serves as a barometer of a company's financial health and is key to the stable development of the company. With the evolution and deepening of the market economy, construction machinery companies currently face several financial risk management challenges, primarily focused on the following areas. As domestic and international market competition intensifies, construction machinery companies commonly adopt price wars to expand market share, which compresses profit margins and increases financial risk. Additionally, the market is highly cyclical, and the construction machinery industry is significantly affected by infrastructure investment and macroeconomic trends, leading to unstable market demand, which can result in inventory backlogs and slow turnover of receivables, further exacerbating financial risk. Some companies also lack a sound risk management mechanism, have incomplete internal control systems, and lack effective risk warning systems, preventing them from timely identifying and responding to financial risks, thus bearing substantial financial pressure during market fluctuations. These issues collectively impact the financial stability of construction machinery companies, making it urgent to optimize and improve financial risk management.

By reviewing existing research and combine characteristics of the construction machinery industry, this study takes Sany Heavy Industry as a case study to map out the current risk issues faced by construction machinery companies. It analyzes the influencing factors of financial risk management and proposes solutions based on relevant research methods to ensure the healthy development of the company.

The main research questions of this study include the following:

(1) What is the current state of the financial risk management of Sany Heavy Industry?

(2) What factors influence the financial risk management of Sany Heavy Industry?

(3) How can Sany Heavy Industry enhance its market competitiveness by optimizing financial risk management strategies?

1.3 Objectives of the Study

The ultimate goal of enterprise financial risk management is to reduce corporate losses, safeguard economic benefits, and help the company achieve its final development objectives. The main purposes of this study are as follows:

(1) To explore the current situation of financial risk management at Sany Heavy Industry;

(2) To examine the factors influencing Sany Heavy Industry's financial risk management;

(3) To propose strategies for optimizing the financial risk management of Sany Heavy Industry.

1.4 Scope of the Study

This study was based on the quantitative research method, using a questionnaire survey and grounded in financial risk management theories. It incorporated Sany Heavy Industry's practical situation to deeply analyze the influencing factors of its financial risk management. The study's survey targeted employees of Sany Heavy Industry who have worked for at least one year, ensuring that they have a comprehensive understanding of the financial management and operational status within their respective departments. According to company statistics, Sany Heavy Industry has approximately 26,000 employees across functional departments such as Finance Department, Production and Operations Department, and Marketing Department. This study distributed 470 questionnaires, covering the aspects of the employees' gender, department, age, years of service, and their understanding of the internal and external factors influencing enterprise financial risk management.

1.5 Significance of the Study

1.5.1 Theoretical Significance

The main focus this study is the financial risk management issues faced by construction machinery companies. A review of extensive literature reveals that most research on financial risk management focuses on the financial, real estate, and energy sectors, with relatively little research on the construction machinery industry. Therefore, supplementing research in this area has high theoretical significance. By reviewing related scholars' research findings and exploring the influencing factors of Sany Heavy Industry’s financial risk management, this study organizes multidimensional factors of risk management and proposes response and optimization strategies aligned with the company’ s actual situation. The theoretical significance lies in improving expert and academic research on risk management in the construction machinery industry, providing reference value and practical guidance for companies and other stakeholders.

1.5.2 Practical Significance

By analyzing the current state and issues of financial risk management at Sany Heavy Industry, this research can offer targeted countermeasures to help the company optimize its financial management, further enhance the efficiency of its capital management, reduce financial risks, and promote stable operations. Moreover, the findings can serve as a reference for other construction machinery companies, helping to raise awareness of financial risk within the industry and ensuring sustainable development while maintaining overall industry stability. This holds significant practical relevance for the long-term, stable development of China's construction machinery industry in the context of global competition.

Chapter 2 Literature Review

2.1 Introduction

The literature on the influencing factors of financial risk management of Sany Heavy Industry plays a crucial role in guiding this study. This study reviews and analyzes existing relevant research, to gain insights into various scholars' views, theoretical frameworks, and research methods on corporate financial risk management, The literature review provides a systematic theoretical framework and research basis for this study, helping to fully grasp the influencing factors of financial risk management of Sany Heavy Industry and laying a solid foundation for subsequent empirical research and risk prevention measures.

2.2 Literature Review

2.2.1 Financial Risk Management

The concept of risk management first emerged in the early 20th century. In 1956, Wavne Snider introduced the idea of risk management, emphasizing its importance in company operations. Risk management refers to the process of minimizing a company's risks in a risk-exposed environment. It advocates achieving the greatest risk reduction with minimal cost, requiring managers to actively seek efficient methods to identify and analyze risks to achieve effective management outcomes. Risk management must be planned and goal-oriented to minimize losses and errors in decision-making.

The characteristics of risk management include five aspects: first, objectivity—the risk management process is inevitably influenced by subjective or objective factors, which are beyond human control and have a certain degree of objectivity; second, relativity—risk subjects and their scale have relative characteristics; third, phasing—different stages of risk exhibit different characteristics; fourth, variability—risk is dynamic, with new risks emerging and old ones disappearing to varying degrees; fifth, uncertainty—the occurrence of risks and the causes of those risks are uncertain, making risk itself uncertain.Generally speaking, research on financial risk often begins with definitions. Williams (1964) provided a more accurate definition of financial risk, viewing it as the degree of deviation between expected and actual outcomes under specific circumstances, with deviation and risk positively correlated. Therefore, controlling deviation can help reduce risk. In 1966, scholar Beaver expanded the concept of financial risk to a broader scope. He selected 30 evaluation indicators and analyzed the financial situation of 80 representative companies over ten years. Through detailed and scientific analysis, Beaver concluded that a company's cash flow index could provide an accurate assessment of its financial risk level. Ross et al.(1995) also defined financial risk, stating that shareholders' financial risk may stem from the uncertainty caused by corporate liabilities.Williams & Hans (1998), in their book Risk Management and Insurance, pointed out that risk management is primarily a scientific management method that minimizes adverse consequences caused by risks through means such as risk identification, evaluation, and control at the lowest possible cost. Hillson & David (2002) suggested that risk management is a necessary tool for

businesses to remain competitive overall. Companies treat risk management as a core function to avoid risks, and they argue that both risk and uncertainty represent opportunities for business development. Lizal (2002), using Czech companies from 1993 to 1999 as examples, concluded that financial problems stemmed from management's excessive expansion and inability to effectively utilize company resources, along with over-reliance on debt. Alexandre Ttindae conducted extensive research on financial risk in 2006, emphasizing that after setting a general target, companies must implement departmental objectives and budget goals, improving internal operational coordination and thereby reducing financial risk. Paul & Kurt (2013) proposed that for a company to achieve sustainable, healthy development, risk must be thoroughly studied, and managing risk should be a priority. Identifying risks involves analyzing influencing factors and developing effective control measures. Wang (2020) introduced the definition of financial risk and data mining theory, detailing the construction process of a financial risk prediction model for maritime international trade enterprises.

In China, attention to financial risk in academia began relatively late, with scholars starting to discuss financial risk in the early 1980s. Liu & Tang (1989) were among the first to systematically discuss the concept of financial risk. In their book On Financial Risk Management, they further defined financial risk, noting that financial activities are fundamental to a company's production and operational activities, with the potential for financial risk at every stage of the production process. Financial risk refers to the possibility that unforeseen factors in business activities could lead to corporate losses. Based on this, experts and scholars have further explored this issue. Yu (2001) proposed a narrow definition of financial risk, referring specifically to the pressure of repaying debts and interest. When a company's ability to repay is weak, and it cannot meet debt obligations on time, financial risk arises. Zhou (2014) defined corporate financial risk, discussed financial risk management methods, and concluded that financial risk is unavoidable in business activities. He argued that economic risks, inconsistent income and expenditure, and other risks contribute to financial risk. For instance, insufficient liquidity, high costs, and imbalanced asset-liability structures can all lead to financial risk. Bing (2018) observed that financial risk is common during business operations, manifesting as financing risk during capital-raising efforts, investment risk when external market changes cause investment returns to deviate from expected goals, and distribution risk when business profits are insufficient to cover future expenses. Wang (2018) emphasized that every step of financial management should address financial risk. Since financial risk is a practical issue faced by every company, understanding it thoroughly and minimizing potential losses are crucial to ensuring corporate growth. Yang (2021) stated that corporate financial risk refers to the increased likelihood of economic loss in daily operations due to internal and external factors affecting the company. Lin (2022) described financial risk management as a process of controlling risks related to company assets through scientific and systematic methods. This includes risk identification and evaluation to reduce the likelihood of financial risk and

ensure operational stability, safeguarding the company’s economic interests and promoting healthy development.

2.2.2 Influencing Factors of Financial Risk Formation

Waltz (2007) argued that complex and uncertain external environmental factors have a significant impact on corporate financial risk. In terms of the external environment, factors such as adjustments in national policies, fluctuations in macroeconomic conditions, market competition dynamics, and industry development trends can all have profound effects on the probability of financial risks for enterprises. At the same time, from the perspective of the internal environment, differences in corporate governance structures, financial decision-making processes, internal control mechanisms, and the characteristics of the enterprises themselves are also important factors that can trigger financial risks. Jiang & Chen (2009) provided a comprehensive analysis from both internal and external perspectives, suggesting that external financial risks for enterprises mainly stem from changes in the economic market environment and factors such as technological progress, while internal risks primarily arise from unreasonable capital structures and a lack of risk awareness among enterprise managers. Yu (2017) believed that enterprises' cash flow is affected by external environmental fluctuations and insufficient internal control capabilities, which can lead to financial risks. These risks can result in unstable production, increased management costs, and reduced competitiveness, thereby threatening the survival and development of the enterprise. Xu (2018) found that the causes of financial risks include both internal and external factors. Li (2018) emphasized the unique characteristics of financial risk formation, arguing that multiple internal and external factors, such as slow economic growth, unreasonable capital structures, and limitations in financing channels, collectively lead to the emergence of financial risks. Yu (2020) proposed that the causes of risk can be divided into external and internal factors. External factors are mainly due to the variability of the macroeconomic environment, including adjustments in industry policies, interest rate changes, and tax rate variations, all of which can affect a company's operating costs and thus bring risks to the enterprise. Internal factors include unclear internal financial relationships, lack of risk awareness among financial personnel, lack of scientific financial management, disregard by financial personnel, incorrect decision-making by management, and inadequate supervision. Xue (2024) believes that corporate financial risk refers to the uncertainty in a company's financial situation and potential losses caused by changes in internal and external environments and various unpredictable or uncontrollable factors during all financial activities. Financial risks may manifest in various forms, such as a company's inability to repay debts, fluctuations in shareholder returns, or increased operating losses.

(1) **External Factors of Enterprises**

a. Macro Environment

Liu (2008) believed that if an enterprise cannot fully foresee unfavorable changes in the external environment and fails to respond quickly to market environment

changes, it will inevitably lead to corporate financial risks. With the rapid development of technology and continuous product upgrades, the quality of life is constantly improving, leading to profound changes in supply and demand relationships. If some traditional industries cannot adjust their development direction in a timely manner, they may fall into predicaments such as product surplus and capital shortage, thus generating financial risks. In fierce market competition, enterprises have to increase their investment to maintain competitive advantages; however, this also poses a significant challenge to the healthy capital turnover of enterprises. Neil et al. (2015) suggested that there are many factors causing corporate financial risks, and even under similar external conditions, differences in industry policies can lead to financial risks. Wang (2015) believed that external environmental factors such as national fiscal policies, laws and regulations, macroeconomic background, regional government support, and preferential tax policies can all have a significant impact on corporate financial risks. Enterprises can better adapt to the external environment and avoid financial crises by flexibly adjusting their operational strategies and closely following national policy orientations. Han et al. (2019) found through a study of 280 privately-owned listed companies that under highly competitive market conditions, the constraining effect of accounting conservatism on corporate inefficient investment behavior will be more sensitive, that is, market competition and accounting conservatism have a significant complementary effect in improving corporate investment efficiency. Chen et al. (2020) conducted an empirical test using A-share listed company data and found that the higher the degree of market competition, the greater the corresponding corporate financial risk, while companies with poor internal corporate governance are more affected by the degree of market competition in terms of financial risk. Ma (2020) believed that enterprise risk is influenced by external macroeconomic factors. As reforms continue to deepen, the state is successively introducing or about to introduce some new relevant economic policies, which may bring different degrees of financial risks to enterprises. Zhao (2020) supplemented the corresponding external factors, arguing that in addition to macroeconomic factors, natural environmental factors and cultural environmental factors should also be considered in their impact on corporate financial risks. This is because the natural world is always in a certain state of movement and change, which usually has a certain impact on the financial work of enterprises. The financial risk losses caused by changes in the natural environment and other factors are unavoidable and cannot be predicted in advance by relevant financial analysts. If the related products produced and operated by an enterprise and the related services provided do not meet the requirements and consumption needs of the people in this area, it will make it impossible for the enterprise to develop in an orderly manner for a long time in this area, and unable to achieve sustainable development of the enterprise. Guan (2023) found through research on the relationship between industrial policies and corporate financial distress during the "12th Five-Year Plan" and "13th Five-Year Plan" periods that industrial policies affect the level of corporate over-investment and thus influence corporate financial risks. Bi (2024) believed that market competition factors such as changes in market share, product differentiation, and the intensity of market price competition have an important impact on corporate financial risks. Enterprises need to

pay attention to market competition conditions and continuously innovate and expand the market to maintain or enhance market share in order to mitigate financial risks.

(2) Internal Factors of Enterprises

a. Enterprise Capital Structure

Ohlson (1980) used the logistic model to find that a company's size, performance, liquidity, and capital structure are the main factors triggering financial risks. Yang (2010) examined the relationship between ownership structure, financial risk, and debt cost using A-share listed companies as research samples. The study found that the shareholding ratio of major shareholders is negatively correlated with financial risk, and the ownership structure can ultimately affect the cost of debt capital through the mediating effect of financial risk. Hu (2010) emphasized the core and comprehensive impact of financial leverage fluctuations on shareholders' financial risks, especially pointing out that factors such as non-ideal capital structure and rising asset utilization costs are the main risk triggers. Luo (2011) conducted an in-depth analysis of the triggering factors of corporate financial risks, pointing out that problems such as imbalanced capital structure, low asset liquidity, unstrategic investment decisions, exchange rate instability, and inappropriate dividend policies can all become sources of financial risks for enterprises. In some cases, these factors may even push enterprises towards bankruptcy or liquidation. Singh et al. (2013) found that the expansion of financing scale would increase the debt burden of enterprises and is the main factor causing financial risks. Therefore, unreasonable financing decisions can lead to enterprises failing to achieve expected operational goals and obtain expected returns. Cen & Nie (2014) emphasized in their research that an unreasonable debt structure would greatly exacerbate financial risks. Zhang et al. (2018) also found through a study of A-share listed companies that fell into financial distress from 2007 to 2015 that financial risks are related to corporate governance, and relatively concentrated ownership structures can significantly enhance internal control, thereby resolving corporate financial distress risks.With the expansion of financing scale and the rise in debt ratio, Wang (2022) believed that abnormal changes in corporate property rights will trigger serious financial risks. Shi (2022) pointed out that an unreasonable capital structure may weaken the financial robustness of enterprises, induce risks, and threaten long-term development.

b. Corporate Governance

In the early stages of research, Argenti (1976) believed that the occurrence of financial risks was mainly due to eight aspects, including poor management ability, defects in accounting information systems, inability to take effective countermeasures when external environment changes, excessive operations, and development of large projects. Ross & Jordan (1995) proposed that improper financial decisions would generate financial risks, such as high-leverage operating conditions increasing the possibility of shareholder bankruptcy. Yu et al. (2008) concluded through empirical analysis that the financial risks of listed companies in China are related to their

governance structure. A highly concentrated equity system would increase corporate financial risks, while a good supervisory and constrained internal control environment would reduce corporate financial risks. Zhong (2011) believed that the existence of moral hazard, lack of risk awareness among enterprise managers, lack of scientific financial decision-making, and unreasonable enterprise capital structure are the main reasons for the formation of financial risks in small and medium-sized enterprises. Sohnke et al. (2014) believed that conservative financial means can reduce corporate financial risks, and at the same time, it is necessary to strengthen the training of management and improve their ability to recognize risks. Lu et al. (2014) believed that if there is a hometown relationship between the CEO and board members, it will make the board less likely to challenge management opinions, reduce supervision of management, and at the same time give the CEO higher authority. This will make it easier for management to engage in some high-risk operations and investment behaviors, thereby increasing company risk. Through empirical research, it was found that the higher the proportion of "hometown" relationships between CEOs and directors, the higher the level of financial risk in the company. Wu (2015) proposed that corporate financial risks mainly come from the production and operation activities of enterprises. Xu & Sun (2015) believed that inventory risk is an important reason for financial risk. Too much inventory will lead to a low capital turnover rate, resulting in capital stagnation; too little inventory will increase the capital turnover rate, but will bring losses to the enterprise due to inability to meet market and customer needs. Chen (2016) pointed out from the perspective of enterprise operation that if an enterprise encounters situations such as reduced cash flow, imbalanced equity structure, excessive reliance on external financing, increased accounts receivable and payable, and continuous decline in profitability, it is very likely to suffer financial losses, and in severe cases, it may lead to stagnation of enterprise development or even face bankruptcy. Lang (2017) believed that the main cause of financial risk is actually the debt situation of the enterprise. Kubick et al. (2017) pointed out that the formation of financial risks largely stems from the inadequacy of previous budgeting work. By scientifically formulating various financial budgets and supplementing them with effective budget tracking, the effect of financial risk control can be significantly enhanced. Hou (2018) believed that enterprises should establish necessary financial risk control standards. These standards should not only represent the corporate culture but also must be followed by employees to achieve the purpose of strengthening financial risk prevention and control awareness throughout the enterprise. Secondly, the financial risk early warning mechanism has a positive effect on controlling financial risks. Zhang (2019) proposed that besides environmental factors such as unfamiliarity with the external environment, insufficient profitability, and lack of core competitiveness, the generation of corporate financial risks also depends on human factors. He believes that one of the main reasons for corporate financial risks is the human factor of improper financial decision-making. Li (2017) & Zhu (2019) pointed out that factors such as imperfect internal control and budget editing deviating from reality have a great impact on financial risks. Wang (2018) pointed out that corporate financial risks exist in various stages of corporate fund operation, and there is a possibility of financial risks

occurring in all these stages. When the actual operation of an enterprise deviates from its expected goals, it may bring risks to the enterprise in terms of investment, financing, operation, and growth. He believes that risks should be avoided by controlling risk factors. Shao (2019) further proposed that financial risks have the characteristics of contingency and randomness. Although they cannot be completely avoided, losses caused by financial risks can be reduced through risk management and control. Qi & Cai (2019) proposed through research on the causes of financial risks that the main factors causing corporate financial risks are low profitability and insufficient solvency and growth ability. Zhang, Shi &Wang (2020) believed that corporate governance should follow the "three meetings and one level" rule, and shareholder meeting decisions affect financial risks. As a decision-making body, the structure, activity, size, and decision-making of the board of directors all affect financial risks. The concentration of ownership is related to financial risks; high concentration leads to low balance of power, low rationality of resolutions, and increased financial risks. Financial decisions of the management need to be cautious, and the intensity of incentives should be reasonable to avoid insufficient or excessive incentives leading to increased financial risks. In summary, corporate governance, ownership structure, management decisions, and incentive mechanisms all affect corporate financial risks, and enterprises should formulate reasonable strategies to reduce risks. Yan (2021) pointed out that internal control encompasses five key elements: internal environment, risk assessment, control measures, information and communication, and supervision and inspection. When there are deficiencies in the internal control mechanism, it may lead to problems such as employee misconduct, lack of supervisory functions, chaotic account management, and financial fraud, thereby exacerbating corporate financial risks. Wang & Liu (2022) believed that enterprises cannot make good use of external internet technology and big data technology, resulting in poor identification ability of external risks, which directly reduces the enterprise's risk defense ability. Similarly, Wang (2022) believed that enterprises' awareness of external risks is still very weak, the informatization level of financial risk management and control is low, and untimely risk warnings are also the main reasons affecting the occurrence of corporate financial risks. Chen (2024) found that in the management practices of many enterprises, a scientific and standardized financial risk management system has not been established, and various departments do not pay attention to or communicate, making financial risk prevention and control become the responsibility of the finance department alone. Bai (2024) believed that carrying out digital transformation, using blockchain technology to conduct more transparent distributed accounting, conducting full-process supervision of accounting work, and improving the security protection of data by information systems can effectively control financial risks.

2.3 Sany Heavy Industry Co.Ltd.

Sany Heavy Industry Co.Ltd. was founded by Sany Group in 1994. It rapidly rose to prominence by breaking through the traditional "technology phobia" of Chinese people and adhering to independent innovation. On July 3, 2003, Sany Heavy Industry was listed on the A-share market. In 2011, Sany Heavy Industry was included in the FT

Global 500 for the first time, being the only Chinese construction machinery enterprise on the list at that time. In 2012, Sany Heavy Industry acquired Putzmeister, the "world's number one brand in concrete," and took a stake in Austria's Palfinger, laying the foundation for vigorous development of its international business. In 2020, Sany Heavy Industry ranked among the Forbes Global 500. Starting in 2020, amid pressures such as pandemic-related work stoppages and peaking domestic demand, construction machinery companies began to turn to overseas exports, and Sany Heavy Industry's financial management presented a complex situation. The financial indicators from the three major financial statements can better illustrate the company's financial condition, as shown in Table 2.1:

Table 2.1 Main financial indicators of Sany Heavy Industry in the past five years

Financial indicators	2019	2020	2021	2022	2023
Total assets (100 million yuan)	992	1265	1386	1589	1512
Total liabilities(100 million yuan)	508	680	734	928	820
Monetary capital (100 million yuan)	122	128	148	213	181
Operating income (100 million yuan)	762.33	1000.55	1068.73	808.39	740.19
Net profit (100 million yuan)	116.21	158.65	123.26	44.22	46.06
Accounts receivable (100 million yuan)	218	215	197	250	242
Inventory (100 million yuan)	143	192	185	198	198
Debt-to-asset ratio (%)	51.2	53.83	53.02	58.4	54.25
Return on net assets (%)	28.71	29.64	19.95	6.65	6.85
Accounts receivable turnover rate (times)	3.61	4.59	5.16	3.58	2.98
Inventory turnover rate (times)	3.94	4.17	4.18	3.18	2.68

From the relevant financial data of the past five years, we can see that Sany Heavy Industry's total assets increased from 99.2 billion yuan in 2019 to 151.2 billion yuan in 2023, with asset scale continuously expanding; total inventory rose from 14.3 billion yuan to 19.8 billion yuan, indicating that Sany Heavy Industry's project investments are in an upward trend. Sany Heavy Industry's total liabilities increased from 50.8 billion yuan in 2019 to 82.0 billion yuan in 2023, showing a substantial increase in the company's debt scale. The growth rates of total assets and total liabilities are consistent, indicating that the company relies heavily on debt financing, leading to increased debt pressure. Sany Heavy Industry's asset-liability ratio fluctuated significantly between 2019 and 2023, especially in 2022 when it rose markedly to 58.4%. Although it decreased somewhat in 2023, it still remains at a high level, indicating that the company faces considerable debt repayment risk.Meanwhile, Sany Heavy Industry's operating revenue continued to grow from 2019 to 2021, but decreased significantly in 2022, dropping by 24.4% year-on-year, and continued to decline in 2023. Net profit increased

by 36.5% from 2019 to 2020, but has sharply declined since 2021. Although there was a slight rebound in 2023, it remains far below historical levels, indicating a clear weakening of core profitability and a substantial decrease in economic efficiency. Sany Heavy Industry's accounts receivable amount has fluctuated upward over these five years, with the accounts receivable turnover rate slowing down and the turnover period getting longer. The inventory turnover rate is also slowing down, indicating reduced ability to convert assets into cash and insufficient solvency. Due to the capital-intensive nature of the manufacturing industry, Sany Heavy Industry has high liabilities. Although financial leverage can enhance investment returns to a certain extent in operations, it also intensifies Sany Heavy Industry's financial risks.

2.4 Theoretical Framework

According to the risk management theory, Sany Heavy Industry's financial risk management is influenced by multiple external and internal factors. External factors include national policies and macroeconomic conditions, market environment and industry development, among others. Internal factors encompass the company's capital structure, corporate governance and financial decision-making, information and human resource management, etc. These factors determine the company's ability to respond to external risks and its financial robustness.The model establishes the relationships between the variables, as shown in Figure 2.1.

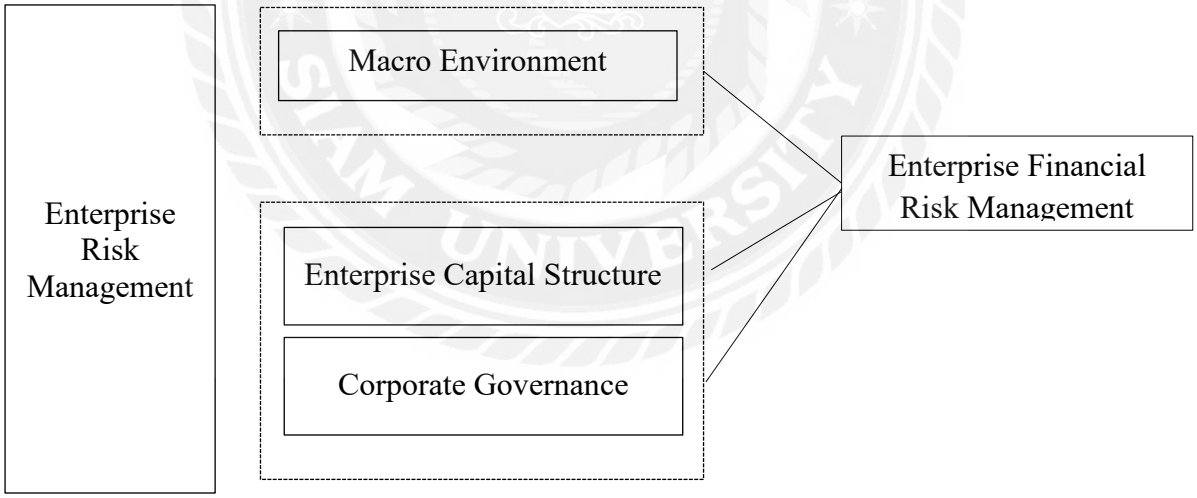

Figure 2.1 Conceptual Framework

Chapter 3 Research Methodology

3.1 Research Design

This study analyzed the factors influencing the financial risk management of Sany Heavy Industry Co., Ltd. The key variables in this study are macro environment, enterprise capital structure, corporate governance, and financial risk management. This research employed a quantitative research method. The survey respondents were employees of Sany Heavy Industry. The study distributed questionnaires on a case-by-case basis, collected data, conducted statistical analysis, and summarized the research results.

3.2 Questionnaire Design

The first part of the questionnaire concerns the respondents' gender, age, education level, work experience, and department. The second part analyzes the relationships between the hypothesized variables. It includes four sections: macro environment, enterprise capital structure, corporate governance, and financial risk management, with seven questions designed for each section, totaling 28 questions. The study uses a five-point Likert scale as the research scale.

The questionnaire aimed at measuring the variables consists of 28 items, each using a five-point Likert scale from 1 to 5, representing strongly disagree, disagree, neutral, agree, and strongly agree, respectively. Higher scores indicate stronger agreement with the item, as shown in Table 3.1.

Table 3.1 Financial Risk Management Measurement Item

Measurement Item	NO.
Macro Environment	
The company has a dedicated team responsible for tracking and analyzing policy changes.	Q1
The company is well-prepared for macroeconomic fluctuations.	Q2
The company's products have high market recognition.	Q3
The company fully considers macroeconomic factors when making financial decisions.	Q4
The company has a clear understanding of industry technology development trends.	Q5
The company maintains a strong competitive advantage in the industry.	Q6
The company can effectively manage risks brought by raw material price fluctuations.	Q7
Enterprise Capital Structure	
The company effectively manages supplier relationships to reduce related risks.	Q8
The company has diversified financing channels.	Q9
The company maintains a balance between R&D investment and financial risk management.	Q10
The company's capital structure is reasonable and conducive to long-term	Q11

development.	
The company's debt level is within a controllable range.	Q12
The company has a clear equity financing plan.	Q13
The company can effectively manage and use working capital.	Q14
Corporate Governance	
The company regularly assesses employees' risk management capabilities and adjusts personnel accordingly.	Q15
The company's organizational structure is conducive to identifying and managing financial risks.	Q16
The company's decision-making chain is clear and can quickly respond to potential financial risks.	Q17
The company's financial decision-making process is transparent and effective.	Q18
The company's board of directors plays an active role in financial risk management.	Q19
The company has clear financial risk management policies and procedures.	Q20
Employees have a clear understanding of the company's financial risk management policies.	Q21
Financial Risk Management	
The company values and invests in technologies and systems related to financial risk management.	Q22
The company conducts regular comprehensive financial risk assessments.	Q23
The company fosters a culture of proactively identifying and reporting potential risks.	Q24
The company adopts advanced financial risk management tools and techniques.	Q25
The company has a comprehensive financial risk identification mechanism.	Q26
The company can promptly identify and correct issues in financial risk management.	Q27
The company's risk management strategies can be adjusted timely according to changes in internal and external environments.	Q28

3.3 Hypotheses

Using macro environment, enterprise capital structure, and corporate governance as independent variables, and financial risk management as the dependent variable, the study builds a model and proposes hypotheses, to explore the relationships between variables, as shown in Figure3.1.

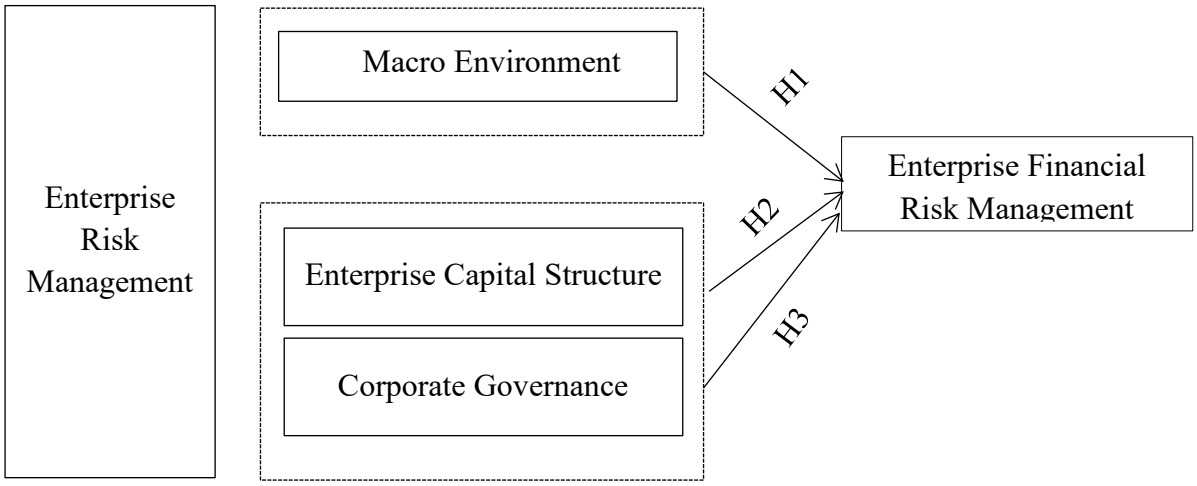

Figure3.1 Hypotheses

H1: Macro environment has a positive impact on Sany Heavy Industry's financial risk management.

H2: Enterprise capital structure has a positive impact on Sany Heavy Industry's financial risk management.

H3: Corporate governance has a positive impact on Sany Heavy Industry's financial risk management.

3.4 Population and Sampling

The research subjects were employees of Sany Heavy Industry. According to the company statistics, the number of employees is approximately 26,000. The sample size was calculated based on statistical requirements, and in combination with the formula, the sample size was determined not less than 400. The questionnaire was distributed using a random sampling method, and a total of 433 valid questionnaires were recovered, meeting the requirements of statistical random sampling.

3.5 Data Collection

The data collection for Sany Heavy Industry mainly focused on the company's risk management status, with the subjects including company employees and management. Data collection was conducted through a combination of online and offline methods, using the Questionnaire Star platform for data collection. The reasons and processes for data collection were explained to the respondents, questions were interpreted, and data collection was initiated according to the plan to ensure the completeness and accuracy of the data. Data collection is conducted cautiously to ensure accurate and representative results, enabling the company to better respond to risks and improve financial risk management capabilities.

Data collection was conducted from September 1, 2023, to August 31, 2024. The data collection work was carried out strictly according to the established plan to ensure the completeness and accuracy of the data. During the collection process, each questionnaire was handled carefully to ensure the accuracy and representativeness of the results. The distribution of questionnaires required the assistance of Sany Heavy

Industry's Human Resources Department. Questionnaires were randomly distributed through personnel lists submitted by each department, strictly adhering to random principles to avoid any human selection or intervention factors.

A total of 470 questionnaires were distributed, and 450 were recovered. After screening, 17 invalid questionnaires were eliminated, resulting in a final count of 433 valid questionnaires. Through data organization and preliminary analysis, no obvious missing values or invalid data were found. The questionnaire survey mainly covered core departments of Sany Heavy Industry, including Finance Department, Human Resources Department, R&D Department, and Marketing and Sales Department. The final effective recovery rate of the questionnaire reached 90.21%.

3.6 Data Analysis

3.6.1 Reliability Analysis of Questionnaire

Table 3.2 Reliability Test

	Cronbach's α	Item
Macro Environment	0.833	7
Enterprise Capital Structure	0.831	7
Corporate Governance	0.830	7
Enterprise Financial Risk Management	0.844	7
Overall questionnaire	0.926	28

Also known as reliability analysis, this is a measure of the credibility of the survey questionnaire. This survey used the "Reliability Analysis" tool in SPSS to test the internal consistency of the questionnaire data, determining whether the data is stable and reliable. Generally, Cronbach's Alpha coefficient was used as the reliability value to measure the reliability of the data. The higher the reliability coefficient, the more consistent, stable, and reliable the test results are. In general research, if the α coefficient of a measurement dimension is higher than 0.8, it indicates that the internal consistency of the measurement dimension variable is high; if the α coefficient is between 0.7-0.8, it indicates that the internal consistency is good; if the α coefficient is between 0.6-0.7, it indicates that the internal consistency is acceptable. The reliability test results of this study are shown in the table above.

The overall Cronbach's Alpha coefficient of this scale is 0.926, which is greater than 0.8, and the Cronbach's Alpha coefficients of each dimension are 0.833, 0.831, 0.830, and 0.844 respectively, all greater than 0.8, thus indicating good reliability of the questionnaire.

3.6.2 Validity Analysis of Questionnaire

Table 3.3 Validity Test

KMO &Bartlett's test		
KMO		0.887
Bartlett's test of sphericity	Approximate Chi-Square	6172.076
	Degrees of Freedom	378
	Significance	0.000

Validity test is a measure of the effectiveness of the questionnaire. In general research, the validity of a questionnaire tests whether the questionnaire data can effectively reflect the research objectives, that is, to verify whether the questionnaire is accurate and effective for the research. This study used the KMO coefficient to test the validity of the scale in the questionnaire. According to the test results in the table above, the KMO value is 0.887, which is greater than 0.8, and the Bartlett's test of sphericity is significant with $p<0.05$, thus indicating good validity of the questionnaire.

3.6.3 Analysis of Questionnaire Data

This study collected data through a combination of online and offline methods to explore the factors affecting Sany Heavy Industry's financial risk management. The questionnaire design followed the principles of scientificity and systematicity, covering three aspects: macro environment, enterprise capital structure, and corporate governance. The survey targeted personnel who had worked at Sany Heavy Industry for at least one year and had a thorough understanding of their department's financial management and operational conditions, ensuring the representativeness and validity of the data. During the data collection process, anonymity was used to ensure respondents' privacy and enhance the authenticity and reliability of the answers. A total of 500 questionnaires were distributed in this survey, and 433 valid questionnaires were collected, with an effective rate of 90.21%. Finally, the data was processed through statistical analysis methods to verify the research hypotheses.

This study used SPSS analysis tools to conduct reliability analysis, credibility analysis, validity analysis, correlation analysis, and regression analysis on the collected data to examine the strength and direction of relationships between independent and dependent variables. This rigorous and precise process laid the foundation for subsequent hypothesis testing.

Chapter 4 Findings and Discussion

4.1 Descriptive Statistical Analysis of Sample

Based on the results of data collection and the analysis of reliability and validity , it was indicated that data collection met the basic requirements. Further analysis of the collected data was conducted using SPSS software, primarily focusing on correlation analysis and regression analysis, to determine the relationships between variables and test hypotheses. This aims to elucidate the interconnections among the macro environment, enterprise capital structure, corporate governance, and financial risk management.

Table 4.1 Demographic Variables

Basic Characteristics	Category	Frequency	Percentage (%)	Cumulative Percentage (%)
Gender	Male	216	49.9	49.9
	Female	217	50.1	100
Age	18-25 years	108	24.9	24.9
	26-35 years	101	23.3	48.3
	36-45 years	82	18.9	67.2
	46-55 years	75	17.3	84.5
	Over 55 years	67	15.5	100
Education Level	Bachelor's degree	186	43.0	43.0
	Master's degree	130	30.0	73.0
	Other	117	27.0	100
Work Experience	Less than 1 year	77	17.8	17.8
	1-2 years	93	21.5	39.3
	3-4 years	87	20.1	59.4
	5-6 years	97	22.4	81.8
	Over 6 years	79	18.2	100
Department	Finance Department	73	16.9	16.9
	Human Resources Department	87	20.1	37.0
	Sales Department	99	22.9	59.8
	Production Department	85	19.6	79.4
	Other Departments	89	20.6	100

When examining the factors influencing financial risk management of Sany Heavy Industry Co., Ltd., demographic variables serve as an important dimension for consideration. Their details can be revealed through the following analysis.

Firstly, regarding gender distribution, among the Sany Heavy Industry employees participating in this survey, males account for 49.9% and females 50.1%, showing a nearly balanced gender ratio. This gender balance helps ensure that perspectives and experiences from different genders are fully expressed in discussions about financial risk management, thereby enabling a more comprehensive identification of potential risks.

In terms of age composition, the employee age range is quite broad, spanning from young employees aged 18-25 to senior employees over 55 years old. Employees aged 18-25 account for 24.9%, while those aged 26-35 make up 23.3%. These two age groups combined represent nearly half of the workforce, indicating that Sany Heavy Industry has a young and vibrant team of employees. However, the proportion gradually decreases as employee age increases, with those over 55 accounting for 15.5%. This age distribution may influence employees' perceptions and accumulated experience in financial risk management. Younger employees might be more inclined towards innovative and technology-driven risk management strategies, while senior employees may focus more on traditional and stable management methods.

Regarding educational level, employees with bachelor's degrees account for the highest proportion at 43.0%, followed by those with master's degrees at 30.0%, indicating a generally high level of education among Sany Heavy Industry employees. This educational background helps employees better understand the complexity and professionalism of financial risk management, enabling them to propose more forward-looking and systematic risk management solutions. Meanwhile, a certain proportion of employees have other educational backgrounds, which helps introduce diverse thinking and problem-solving approaches.

Looking at work tenure, the distribution of employees' years of service in the company is relatively even. Employees with less than 1 year of service account for 17.8%, while those with 1-6 years of service collectively account for 63.8%, demonstrating Sany Heavy Industry's stability and continuity in employee cultivation and development. However, 18.2% of employees have served the company for over 6 years. These senior employees likely have a deeper understanding of the company's financial situation and richer management experience, making their contributions to financial risk management significant.

Lastly, in terms of departmental distribution, various departments including Finance, Human Resources, Sales, Production, and others are involved, with relatively balanced proportions. This departmental diversity helps ensure that discussions on financial risk management can cover all aspects and processes of the company, thereby more comprehensively identifying and addressing potential risks. In particular, as the department directly responsible for financial management, employees in the Finance Department may possess more specialized knowledge and experience in financial risk management.

In conclusion, the demographic variables influencing financial risk management of Sany Heavy Industry present gender balance, wide age range, diverse educational backgrounds, evenly distributed work tenures, and departmental diversity. These factors collectively form an important background and foundation for the company's financial risk management, providing rich resources and perspectives for formulating and implementing effective risk management strategies.

4.2 Descriptive Statistical Analysis of Variables

（1）Macro Environment

Table 4.2 Macro Environment

NO.	Measurement Item	Average	Standard Deviation
Q1	The company has a dedicated team responsible for tracking and analyzing policy changes.	3.29	1.15
Q2	The company is well-prepared for macroeconomic fluctuations.	3.23	1.17
Q3	The company's products have high market recognition.	3.28	1.10
Q4	The company fully considers macroeconomic factors when making financial decisions.	3.28	0.93
Q5	The company has a clear understanding of industry technology development trends.	3.04	0.87
Q6	The company maintains a strong competitive advantage in the industry.	3.22	1.01
Q7	The company can effectively manage risks from raw material price fluctuations.	3.19	0.86

In assessing the macro environmental factors affecting Sany Heavy Industry's financial risk management, the following conclusions were drawn through descriptive statistical analysis of a series of key indicators.

Firstly, Sany Heavy Industry has a dedicated team responsible for tracking and analyzing policy changes, with an average score of 3.29 for this aspect, demonstrating a certain level of professionalism and proactivity in policy response. However, the standard deviation of 1.15 indicates differences in perception and practice of policy tracking and analysis across different departments or employees.

Secondly, the company is relatively well-prepared for macroeconomic fluctuations, with an average score of 3.23. Although this score is above average, the high standard deviation of 1.17 reflects varying levels of preparation among different departments or individuals under different economic conditions.

In terms of market recognition, Sany Heavy Industry's products enjoy high brand awareness and acceptance, with an average score of 3.28. However, the standard deviation of 1.10 indicates variations in market acceptance across different regions or customer groups, which may impact the company's financial risk.

When making financial decisions, the company fully considers macroeconomic factors, with an average score of 3.28 and a relatively low standard deviation (0.93), indicating consistent and effective practices in this aspect.

However, in understanding industry technology development trends, the company's average score is slightly lower at 3.04, but with a standard deviation of only 0.87, suggesting high internal consistency in recognizing technology trends. This may be related to the company's investment in technology R&D and innovation, but further enhancement is still needed.

In terms of industry competition, Sany Heavy Industry maintains a strong competitive advantage, with an average score of 3.22. But the standard deviation of 1.01 indicates differences in perception of the company's competitive position among different departments or employees.

Lastly, in managing raw material price risks, the company's average score is 3.19, with a standard deviation of 0.86, showing consistent and effective management strategies in this area. However, raw material price fluctuations remain a significant risk for manufacturing companies, and the company needs to continue strengthening risk management in this aspect.

In conclusion, Sany Heavy Industry demonstrates a certain level of professionalism and preparedness in macro-environment management, but there are differences in perception and practice across different areas and departments. To further enhance the effectiveness of financial risk management, the company needs to continue strengthening its capabilities in policy tracking, macroeconomic analysis, market recognition improvement, maintaining technological advantages, and raw material price risk management. It should also promote internal communication and collaboration to ensure that all departments can form a joint force in responding to external risks.

（2）Enterprise Capital Structure

Table 4.3 Enterprise Capital Structure

NO.	Measurement Item	Average	Standard Deviation
Q8	The company effectively manages supplier relationships to reduce related risks.	3.22	0.90
Q9	The company has diversified financing channels.	3.31	1.01
Q10	The company maintains a balance between R&D investment and financial risk management.	3.24	1.01
Q11	The company's capital structure is reasonable and conducive to long-term development.	3.24	0.99

Q12	The company's debt level is within a controllable range.	3.23	0.90
Q13	The company has a clear equity financing plan.	3.11	1.04
Q14	The company can effectively manage and use working capital.	3.12	0.89

As a core element, the health of a company's capital structure directly affects its stability and long-term development. In the dimension of enterprise capital structure, firstly, the company shows a certain ability in effectively managing supplier relationships to reduce related risks, with an average score of 3.22 for this item. This indicates that Sany Heavy Industry focuses on establishing stable relationships with suppliers and takes measures to reduce potential risks, but there is still room for improvement. The standard deviation of 0.90 suggests some differences in supplier relationship management performance across different departments or business units.

Secondly, the company demonstrates a degree of diversification in financing channels, with an average score of 3.31. This indicates that Sany Heavy Industry can utilize various financing methods to raise funds, reducing financial risks and increasing financial flexibility. However, the standard deviation of 1.01 implies differences in the selection and use of financing channels across different departments or projects.

In balancing R&D investment and financial risk management, the company's average score is 3.24. This suggests that Sany Heavy Industry focuses on financial risk management while pursuing technological innovation, striving to find a balance between the two. But the standard deviation of 1.01 shows differences in performance in balancing R&D investment and risk management across different departments or projects.

Regarding whether the company's capital structure is reasonable to support long-term development, the average score is 3.24. This indicates that Sany Heavy Industry has made efforts in capital allocation and structure adjustment to support the company's long-term development goals. However, the standard deviation of 0.99 suggests differences in perception and practice of capital structure reasonableness across different departments or business units.

In debt level management, the company's average score is 3.23, indicating that Sany Heavy Industry's debt level is within a controllable range, helping to reduce financial risks. But the standard deviation of 0.90 reflects some differences in debt management performance across different departments or projects.

In terms of equity financing plans, the company's average score is 3.11, which is relatively low. This suggests that Sany Heavy Industry needs to strengthen its planning and implementation of equity financing to better utilize the capital market for fundraising. The standard deviation of 1.04 implies differences in the formulation and execution of equity financing plans across different departments or projects.

Lastly, in managing and using working capital, the company's average score is 3.12. This indicates that Sany Heavy Industry has achieved some success in working capital management, but continued efforts are needed to improve the efficiency and

effectiveness of fund utilization. The standard deviation of 0.89 shows relatively consistent performance in working capital management across different departments or projects.

In conclusion, Sany Heavy Industry demonstrates certain advantages and potential in its enterprise capital structure, but improvements and optimizations are still needed in several aspects. The company should continue to enhance its capabilities in supplier relationship management, diversification of financing channels, balancing R&D investment and risk management, reasonableness of capital structure, debt level management, formulation of equity financing plans, and management and use of working capital, to promote the company's long-term stable development.

（3） Corporate Governance

Table 4.4 Corporate Governance

NO.	Measurement Item	Average	Standard Deviation
Q15	The company regularly assesses employees' risk management capabilities and adjusts personnel accordingly.	3.10	0.90
Q16	The company's organizational structure is conducive to financial risk identification and management.	3.08	1.01
Q17	The company's decision-making chain is clear and can quickly respond to potential financial risks.	3.20	0.88
Q18	The company's financial decision-making process is transparent and effective.	3.10	0.82
Q19	The company's board of directors plays an active role in financial risk management.	3.12	0.87
Q20	The company has clear financial risk management policies and procedures.	3.16	1.00
Q21	Employees have a clear understanding of the company's financial risk management policies.	3.14	0.98

In assessing Sany Heavy Industry's corporate governance, we conducted descriptive statistical analysis on a series of key items. Regarding the assessment of employees' risk management capabilities and personnel allocation adjustments, Sany Heavy Industry's average score is 3.10, indicating that the company values employees' risk management capabilities to some extent and adjusts personnel allocation

accordingly. However, the standard deviation of 0.90 suggests differences in performance across departments or teams in this aspect, and the company may need to strengthen unified standards and processes.

Secondly, from an organizational structure perspective, Sany Heavy Industry's structure received a certain evaluation in terms of financial risk identification and management, with an average score of 3.08. But the standard deviation of 1.01 reflects differences in the adaptability and effectiveness of the organizational structure across different departments or levels. The company may need to further optimize its organizational structure to enhance financial risk identification and management capabilities.

In terms of the decision-making chain, the company's average score is 3.20, showing that Sany Heavy Industry's decision-making chain is relatively clear and can respond fairly quickly to potential financial risks. The standard deviation of 0.88 indicates high consistency in decision-making efficiency, but attention still needs to be paid to decision-making efficiency issues in individual departments or teams.

Regarding the transparency and effectiveness of the financial decision-making process, Sany Heavy Industry's average score is 3.10, showing that the company emphasizes transparency and effectiveness in financial decision-making. The standard deviation of 0.82 indicates good consistency and standardization in the financial decision-making process, but supervision and evaluation mechanisms still need to be strengthened to ensure the scientific nature and rationality of decisions.

In terms of the board of directors' active role in financial risk management, Sany Heavy Industry's average score is 3.12, indicating that the board participates in financial risk management to some extent and plays an active role. However, the standard deviation of 0.87 reflects differences in the board's involvement and role in different decisions or events, and the company may need to strengthen the board's functions and decision-making capabilities.

Furthermore, Sany Heavy Industry also has clear plans for financial risk management policies and procedures, with an average score of 3.16. But the standard deviation of 1.00 indicates differences in policy and procedure implementation across different departments or teams. The company needs to strengthen training and supervision of policies and procedures to ensure their effective implementation.

Lastly, regarding employees' understanding of the company's financial risk management policies, the average score is 3.14, showing that employees have some understanding of the company's financial risk management policies. However, the standard deviation of 0.98 indicates differences in employees' understanding of the policies. The company needs to strengthen policy promotion and explanation to improve employees' awareness and execution.

In conclusion, Sany Heavy Industry demonstrates certain advantages and potential in governance, but still needs improvement and optimization in areas such as employee risk management capability assessment, organizational structure optimization, decision-making chain efficiency enhancement, financial decision-making process supervision, strengthening board functions, implementation of financial risk management policies and procedures, and employee policy understanding. By

continuously improving corporate governance structure and management mechanisms, Sany Heavy Industry will be better able to address financial risk challenges and achieve sustainable development.

（4）Financial Risk Management

Table 4.5 Financial Risk Management

NO.	Measurement Item	Average	Standard Deviation
Q22	The company values and invests in technologies and systems related to financial risk management.	3.08	0.87
Q23	The company conducts comprehensive financial risk assessments regularly.	3.16	0.95
Q24	The company fosters a culture of proactively identifying and reporting potential risks.	3.12	0.93
Q25	The company's financial decision-making process is transparent and effective.	3.14	1.04
Q26	The company has a comprehensive financial risk identification mechanism.	3.19	1.00
Q27	The company can promptly identify and correct problems in financial risk management.	3.03	0.92
Q28	The company's risk management strategies can be adjusted timely according to internal and external environmental changes.	3.13	0.95

In an in-depth analysis of Sany Heavy Industry's financial risk management situation, we conducted a detailed descriptive statistical analysis based on the data in Table 3.7.

Sany Heavy Industry has paid attention to and invested in technologies and systems related to financial risk management. The average score for this item is 3.08, showing the company's positive attitude towards technology upgrades and system construction. However, the standard deviation of 0.87 indicates differences in progress and effectiveness of technology and system application across departments or teams. The company needs to further strengthen overall coordination to ensure comprehensive and effective implementation of technologies and systems.

Secondly, in terms of financial risk assessment, the company conducts regular comprehensive assessments, with an average score of 3.16. This reflects Sany Heavy Industry's systematic and forward-looking approach to risk management. But the standard deviation of 0.95 indicates differences in the accuracy and depth of risk assessment across different departments or business units. The company needs to refine assessment standards and processes to improve the accuracy and effectiveness of assessments.

In terms of cultivating a cultural atmosphere, the company is committed to creating an environment that proactively identifies and reports potential risks, with an average score of 3.12. This indicates that Sany Heavy Industry has achieved certain results in risk management culture, and employees' risk awareness has been enhanced. However, the standard deviation of 0.93 shows differences in the proactivity of risk identification and reporting across different teams or employees. The company needs to further strengthen the promotion and training of risk culture to improve overall risk awareness.

In the application of financial risk management tools and techniques, the company has adopted advanced tools and techniques, with an average score of 3.14. This demonstrates Sany Heavy Industry's innovation and progress in risk management methods. But the standard deviation of 1.04 indicates differences in proficiency and effectiveness of tool and technique application across departments or teams. The company needs to strengthen training and support for tools and techniques to ensure their effective application in risk management.

In terms of financial risk identification mechanisms, the company has established comprehensive mechanisms, with an average score of 3.19. This reflects Sany Heavy Industry's systematic and standardized approach to risk identification. But the standard deviation of 1.00 indicates differences in the execution and effectiveness of risk identification mechanisms across different departments or business units. The company needs to strengthen supervision and evaluation of identification mechanisms to ensure their effective implementation.

In problem discovery and correction, the company can promptly identify and correct problems in financial risk management, but the average score is 3.03, which is relatively low. This indicates that Sany Heavy Industry's efficiency and capability in problem discovery and correction need improvement. The standard deviation of 0.92 shows differences in performance in problem discovery and correction across different departments or teams. The company needs to strengthen problem monitoring and analysis to improve the timeliness and accuracy of problem discovery and correction.

In risk management strategy adjustment, the company can adjust strategies in a timely manner according to changes in internal and external environments, with an average score of 3.13. This demonstrates Sany Heavy Industry's flexibility and adaptability in risk management strategies. But the standard deviation of 0.95 indicates differences in response speed and effectiveness of strategy adjustment across different departments or teams. The company needs to strengthen supervision and guidance on strategy adjustment to ensure its effective implementation in risk management.

In conclusion, Sany Heavy Industry has achieved certain results in financial risk management, but still needs continuous improvement and optimization in areas such as

technology and system investment, risk assessment, cultural atmosphere cultivation, tool and technique application, identification mechanism improvement, problem discovery and correction, and strategy adjustment. By continuously enhancing its financial risk management capabilities and level, Sany Heavy Industry will be better able to address various financial risk challenges and achieve stable development.

4.3 Correlation Analysis

Correlation analysis is commonly used in situations where two or more variables have a certain degree of correlation, measuring the closeness of the relationship between variables, often expressed using the Pearson correlation coefficient. The value of the Pearson correlation coefficient ranges between -1 and 1. The larger the positive value or the smaller the negative value, the stronger the correlation between the two variables; the closer the value is to 0, the weaker the correlation between the variables. Through correlation analysis of the 433 collected questionnaires, the results are shown in Table 4.2 below.

Table 4.6 Correlation Analysis Results

	Macro Environment	Enterprise Capital Structure	Corporate Governance	Financial Risk Management
Macro Environment	1			
Enterprise Capital Structure	0.517**	1		
Corporate Governance	0.557**	0.660**	1	
Financial Risk Management	0.450**	0.527**	0.611**	1

In an in-depth exploration of multiple key elements of enterprise operation and development, it is not difficult to discover that there are close and complex connections between the macro environment, enterprise capital structure, corporate governance, and financial risk management. Through a thorough analysis of data from 433 questionnaires, using the Pearson correlation coefficient to conduct correlation analysis on these variables, their intrinsic relationships have been revealed.

Firstly, as an external condition for enterprise development, changes in the macro environment have a significant impact on the capital structure of enterprises. Fluctuations in economic cycles, adjustments in policy orientation, and intensification of market competition, among other macro factors, all prompt enterprises to adjust their capital structures according to actual situations to cope with external environmental uncertainties. This adjustment not only helps enterprises reduce financial risks but also, to a certain extent, enhances their financial performance.

Secondly, corporate governance, as an important component of internal management, shows a significant positive correlation with both the macro environment and enterprise capital structure. On one hand, changes in the macro environment encourage enterprises to strengthen internal control and risk management, thereby improving the level of corporate governance; on the other hand, the optimization of enterprise capital structure also helps establish more scientific and effective governance mechanisms, ensuring stable enterprise operations.

Furthermore, there is also a close connection between enterprise capital structure and financial risk management. A reasonable capital structure not only helps reduce corporate financial risks but also enhances financial stability. By optimizing debt ratios and adjusting equity structures, enterprises can more effectively manage financial risks, ensuring long-term development.

Finally, the positive correlation between enterprise governance and financial risk management is particularly significant. Effective corporate governance ensures that enterprises establish scientific financial risk management mechanisms, timely identifying and addressing potential financial risks. This mechanism not only helps improve corporate financial performance but also, to a certain extent, enhances the enterprise's market competitiveness.

In conclusion, macro environment, enterprise capital structure, corporate governance, and financial risk management are interrelated and mutually influential. When formulating corporate strategies and making decisions, enterprises need to comprehensively consider the interactions among these variables to ensure long-term stable development. At the same time, enterprises should closely monitor changes in the external environment and adjust internal management mechanisms in a timely manner to adapt to the constantly changing market environment.

4.4 Regression Analysis

Table 4.7 Regression Analysis Results

	Unstandardized coefficients		Standardized coefficient	t	Significance
	B	Standard Error	Beta		
(constant)	0.769	0.142		5.412	0.000
Macro Environment	0.113	0.044	0.119	2.588	0.010
Enterprise Capital Structure	0.189	0.051	0.188	3.692	0.000
Corporate Governance	0.442	0.055	0.420	8.014	0.000
R^2			0.409		
AdjustedR^2			0.405		
F			F=99.008,p＜.001		

This regression analysis aims to explore the impact of the macro environment, enterprise capital structure, and corporate governance on financial risk management. Through collecting and analyzing relevant data, the following conclusions were drawn:

Firstly, looking at the constant term of the regression model, its value is 0.769, with an extremely low significance level (p=0.000), indicating that there exists a basic level of risk management when excluding the influence of other variables. This may be determined by factors such as the enterprise's own operational characteristics, industry background, or historical experience.

Next, focusing on the specific impacts of each independent variable on financial risk management:

The regression results show that the macro environment has a significant positive impact on financial risk management (Beta=0.119, p=0.010). This means that when the macro environment changes, enterprises will correspondingly adjust their financial risk management strategies to cope with external environmental uncertainties. Specifically, for every unit increase in the macro environment variable, the level of financial risk management will improve by 0.113 units.

Enterprise capital structure also has a significant positive impact on financial risk management (Beta=0.188, p=0.000). This indicates that the optimization of enterprise capital structure helps improve the effectiveness of financial risk management. Specifically, every point of improvement in enterprise capital structure will bring about a 0.189 unit increase in the level of financial risk management.

Among all independent variables, corporate governance has the most significant positive impact on financial risk management (Beta=0.420, p=0.000). This fully demonstrates the importance of effective corporate governance in enhancing the level of financial risk management. Specifically, every point of improvement in corporate governance will bring about a 0.442 unit increase in the level of financial risk management.

Furthermore, looking at the model's goodness of fit, the R^2 value is 0.409, and the adjusted R^2 value is 0.405, indicating that the model can explain about 40% of the level of financial risk management relatively well. At the same time, the F value is 99.008, with an extremely low significance level ($p<0.001$), which further verifies the reliability and validity of the model.

In conclusion, the macro environment, enterprise capital structure, and corporate governance all have significant positive impacts on financial risk management. Therefore, when formulating financial risk management strategies, enterprises should fully consider the influence of these factors and take corresponding measures for optimization and adjustment to enhance their level of financial risk management.

Chapter 5 Conclusion and Recommendation

5.1 Conclusion

This study found that Sany Heavy Industry Co., Ltd. has established a foundation in financial risk management, but still faces some challenges. Regarding the macro environment, the company has a dedicated team to track policy changes, but there are inconsistencies in understanding and implementing macroeconomic responses across departments. In terms of enterprise capital structure, the company's financing channels are relatively diverse, but there is room for improvement in equity financing plans and working capital management. As for corporate governance, the decision-making chain is relatively clear, but there are differences in organizational structure, the role of the board of directors, and employees' understanding of risk management policies.

Through relevant data analysis, this study reveals that the macro environment, enterprise capital structure, and corporate governance have significant positive effects on corporate financial risk management, validating hypotheses H1, H2, and H3. In the macro environment aspect, factors such as policy changes, economic fluctuations, market recognition, industry technological developments, and raw material price fluctuations impact the company's financial risk management. Regarding enterprise capital structure, factors like the diversity of financing channels, balance between R&D investment and risk management, rationality of capital structure, debt level management, and equity financing plans directly affect the company's financial stability and risk-bearing capacity. In terms of corporate governance, factors such as organizational structure, decision-making chain efficiency, financial decision-making transparency, the role of the board of directors, and the formulation and implementation of risk management policies influence the company's ability to identify and respond to financial risks.

The company can optimize its financial risk management through the following strategies: enhance its ability to respond to the macro environment by establishing a more systematic macroeconomic analysis mechanism, improving various departments' understanding and response to macroeconomic factors, and strengthening the company's adaptability to policy changes and market fluctuations. To optimize enterprise capital structure, the company can further diversify financing channels, formulate clear equity financing plans, optimize capital structure, and improve working capital management efficiency to enhance financial flexibility and risk resistance. To improve corporate governance, the company can optimize organizational structure, increase decision-making chain efficiency, strengthen the board of directors' role in financial risk management, enhance the transparency and effectiveness of financial decision-making, and improve employees' understanding and execution of risk management policies through training. Through these strategies, Sany Heavy Industry Co., Ltd. can comprehensively enhance its financial risk management capabilities, strengthening its market competitiveness and sustainable development capacity.

5.2 Recommendation

5.2.1 Strengthen Judgment and Response to Macro Environment

To improve management level, the company should first strengthen its judgment and response to the macro environment by establishing a more systematic policy analysis mechanism and cross-departmental coordination to ensure consistency across departments when responding to policy changes. Additionally, the company needs to enhance its overall preparedness for macroeconomic fluctuations, using advanced financial forecasting tools to simulate performance under different economic scenarios and formulate flexible financial strategies. Optimizing market risk management is also crucial; the company can adjust products and services according to market demands in different regions to further enhance market acceptance. Meanwhile, the company should increase investment in technological R&D to strengthen awareness of industry technology trends and maintain future competitive advantages. In terms of managing raw material price fluctuations, Sany Heavy Industry can ensure financial stability and sustainable development by deepening supply chain management and using financial instruments to hedge against price volatility risks. By comprehensively strengthening judgment and response to the macro environment, Sany Heavy Industry can jointly exert efforts in policy response, market strategy, technological innovation, and supply chain management, enhancing financial risk management capabilities and ensuring steady development in an uncertain environment.

5.2.2 Optimize Enterprise Capital Structure

In the process of enterprise operation and development, a reasonable capital structure has significant impacts on financial risk management and long-term development. Optimizing capital structure can not only effectively reduce financial risks but also enhance corporate stability and flexibility. Therefore, enterprises should optimize their capital structure with the goal of maximizing corporate value, and make timely adjustments when facing imbalances between capital and liabilities to effectively prevent and control financial management risks. In terms of equity financing, enterprises can increase equity financing, introduce strategic investors, implement equity incentive plans, and conduct share buybacks. Regarding debt management, it is necessary to optimize the debt maturity structure, select appropriate financing instruments, control the asset-liability ratio, and establish risk monitoring mechanisms. For investment decisions, enterprises should scientifically evaluate project returns and risks, and rationally allocate asset investment proportions. Meanwhile, attention should be paid to dividend policy adjustment, financial leverage management, internal control optimization, and external environment response. Additionally, emphasis should be placed on asset structure optimization, cost control, risk management, and information disclosure. These measures need to be implemented in consideration of the enterprise's development stage, industry characteristics, market environment, and actual needs. Furthermore, attention should be paid to the coordination between measures, dynamic adjustment during implementation, continuous monitoring of effectiveness, and experience summarization. Through the comprehensive application of these specific

measures, enterprises can achieve continuous optimization of capital structure, improve capital utilization efficiency, reduce financial risks, thereby promoting healthy corporate development.

5.2.3 Strengthen Corporate Governance

To enhance Sany Heavy Industry's financial risk management level, the company needs to strengthen corporate governance in multiple aspects to ensure coordination among departments, effective policy implementation, and improve decision-making efficiency and transparency.

Firstly, the company should strengthen the assessment and training of employees' risk management capabilities. The company should unify risk management assessment standards, regularly conduct cross-departmental training to ensure that every employee possesses the corresponding risk identification and management capabilities. Moreover, in response to the specific needs of different departments, the company should appropriately adjust personnel allocation to ensure that risk management capabilities in key positions are optimized. Secondly, the company needs to optimize the existing organizational structure to improve the efficiency of financial risk identification and management. It is recommended that the company establish a more flexible and flattened organizational structure to enhance communication and coordination between different levels, improving the response speed and efficiency of financial risk management. In terms of the decision-making chain, the company should maintain the current clear decision-making process while addressing the issue of low decision-making efficiency in certain departments. By introducing digital decision support tools or optimizing the decision chain, the company can further improve decision-making speed, ensuring that financial risks can be quickly identified and addressed. The transparency and supervision mechanism of financial decision-making also need to be further strengthened. It is recommended that the company establish an independent decision review team to regularly audit financial decisions, ensuring they align with the company's long-term interests. In terms of implementing financial risk management policies and processes, the company should strengthen training and supervision of various departments to ensure consistent implementation of policies across the entire company. By strengthening the supervision mechanism, the company can reduce execution differences between departments and improve the implementation effect of policies. Through these measures, Sany Heavy Industry can further optimize its corporate governance structure, enhance financial risk management capabilities, ensure steady operation while rapidly developing, and achieve sustainable development goals.

5.3 Further Study

In the process of modern enterprise development, it is essential to strengthen the prevention of risks in corporate financial operations and improve financial management capabilities to ensure that enterprises possess strong competitiveness in the fierce market competition. This study, using Sany Heavy Industry as an example, explored the key factors influencing its financial risk management, providing valuable insights

and practical suggestions for enterprises to address financial risks. However, this study still has some limitations.

Firstly, as a case study, although Sany Heavy Industry is representative in the construction machinery industry, the universal applicability of the research results may be limited. Therefore, future research could expand the sample range to include more construction machinery enterprises or related manufacturing companies, conducting horizontal comparisons to enhance the universality and generalizability of the research results.

Secondly, this study mainly analyzes data from a specific time period. Future research could consider using data spanning a longer time frame to conduct dynamic studies, observing trends in financial risk management across different economic cycles and policy environments. This would help to more comprehensively understand the long-term impact of external factors on corporate financial risk management.

Furthermore, this study primarily employs quantitative analysis methods. Future research could consider combining qualitative research methods, such as executive interviews and in-depth case analyses, to gain a deeper understanding of the decision-making processes in corporate financial risk management and managers' risk preferences. Additionally, it is suggested that future research could explore the impact of non-financial factors on financial risk management from a multidisciplinary perspective, such as combining behavioral finance and corporate governance theories.

Lastly, considering Sany Heavy Industry's internationalization strategy, future research could conduct cross-national comparisons to explore the similarities and differences in corporate financial risk management under different market environments and policy backgrounds. This would provide more targeted risk management suggestions for Chinese enterprises' global operations. Through these in-depth studies, we hope to provide more comprehensive and forward-looking guidance for financial risk management practices in the construction machinery industry and the manufacturing sector as a whole.

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Appendix

Dear Sir/Madam:

Thank you for participating in this survey. The survey will be conducted anonymously, and your information will be kept confidential. Thank you again for your cooperation.

Part One:

1. your gender?

A. Male B. Female

2.your age?

A. 18-25years B. 26-35years C. 36-45years D. 46-55years E. Over 55years

3.your education level?

A. Bachelor's degree B. Master's degree C. Other

4.How long have you been working in the company?

A. Less than 1 year B. 1-2 years C. 3-4 years D. 5-6 years E. Over 6 years

5.Which department do you work in?

A. Finance Department

B. Human Resources Department

C. Sales Department

D. Production Department

E. Other Departments

Part Two:

Please indicate to what extent you agree with the following statements. Choose the most appropriate option and mark the corresponding number with a "√". The questionnaire uses a Likert scale ranging from 1 to 5, where 1 represents strongly disagree (or very much disagree), 2 represents somewhat disagree (or relatively disagree), 3 represents neutral, 4 represents somewhat agree (or relatively agree), and 5 represents strongly agree (or very much agree).

Measurement Item	1	2	3	4	5
Macro Environment					
1.The company has a dedicated team responsible for tracking and analyzing policy changes.					
2.The company is well-prepared for macroeconomic fluctuations.					
3.The company's products have high market recognition.					
4.The company fully considers macroeconomic factors when making financial decisions.					
5.The company has a clear understanding of industry technology development trends.					

6.The company maintains a strong competitive advantage in the industry.					
7.The company can effectively manage risks brought by raw material price fluctuations.					
Corporate Capital Structure					
8.The company effectively manages supplier relationships to reduce related risks.					
9.The company has diversified financing channels.					
10.The company maintains a balance between R&D investment and financial risk management.					
11.The company's capital structure is reasonable and conducive to long-term development.					
12.The company's debt level is within a controllable range.					
13.The company has a clear equity financing plan.					
14.The company can effectively manage and use working capital.					
Corporate Governance					
15.The company regularly assesses employees' risk management capabilities and adjusts personnel accordingly.					
16.The company's organizational structure is conducive to identifying and managing financial risks.					
17.The company's decision-making chain is clear and can quickly respond to potential financial risks.					
18.The company's financial decision-making process is transparent and effective.					
19.The company's board of directors plays an active role in financial risk management.					
20.The company has clear financial risk management policies and procedures.					
21.Employees have a clear understanding of the company's financial risk management policies.					
Financial Risk Management					
22.The company values and invests in technologies and systems related to financial risk management.					
23.The company conducts regular comprehensive financial risk assessments.					
24.The company fosters a culture of proactively identifying and reporting potential risks.					
25.The company adopts advanced financial risk management tools and techniques.					
26.The company has a comprehensive financial risk identification					

mechanism.					
27.The company can promptly identify and correct issues in financial risk management.					
28.The company's risk management strategies can be adjusted timely according to changes in internal and external environments.					

You have completed this questionnaire. Thank you for your support. I wish you a smooth work and a happy life !