

A Study on the Impact of Strategic Financial Management on Enterprise Value Creation

Jingrong Xu

*School of Finance and Taxation, Zhejiang University of Finance and Economics, Hangzhou, China
1827359071@qq.com*

Abstract. This study focuses on the mechanism of enterprise value creation in a dynamic competitive environment and explores its systematic mechanism of action on enterprise value promotion from the perspective of strategic financial management. As an advanced form of traditional financial management, strategic financial management enables the in-depth integration of financial strategy and enterprise strategy. Through such key approaches as forward-looking resource optimization and allocation, dynamic risk management and control, and value chain reconstruction, it effectively drives enterprise value creation. The study constructs a three-dimensional analytical framework of "Value Discovery - Value Driving - Value Preservation", analyzes in detail the operational principles of strategic financial management in value identification and strategic support, value driving and process control, as well as value maintenance and sustainable development, and reveals its paths to enhancing enterprises' core competitiveness and long-term market value.

Keywords: Strategic Financial Management, Enterprise Value Creation, Value Driving, Risk Management

1. Introduction

At present, the global economic pattern is undergoing in-depth adjustment and market competition is becoming increasingly fierce. Against such a complex backdrop, the uncertain factors facing enterprises are growing exponentially, and the limitations of the traditional financial management paradigm have become prominent when responding to strategic development needs. The traditional financial management system is generally confined to basic functions such as post-event accounting, short-term compliance supervision and daily operation management, and there is no systematic coordination mechanism with the organizational strategic goals. Such disconnection is likely to lead to imbalanced resource allocation, accumulated potential risks and low efficiency of value creation. In contrast, the strategic financial management paradigm is oriented towards the sustainable development of enterprises, extends the financial perspective to the entire life cycle of strategic planning and implementation, and establishes a management system encompassing value identification, collaborative resource allocation and dynamic risk management and control. Its core characteristics are the in-depth integration of business and finance, real-time dynamic adjustability and forward-looking decision support, thus providing a systematic solution for enterprises to achieve sustainable value appreciation. Based on the theoretical core of strategic financial management, this

study innovatively constructs a three-dimensional analytical model of "Value Identification - Value Driving - Value Preservation" to systematically analyze the impact paths and operational mechanisms of strategic financial management on the process of enterprise value creation. The research results will provide a reference with theoretical depth and practical value for modern enterprises to optimize their financial management systems and improve the efficiency of value creation [1].

2. Value discovery and strategic support

Modern strategic financial management is a core component of the enterprise strategic decision-making system. It has broken through the limitations of traditional accounting and transformed into a comprehensive management tool with strategic guidance functions and value creation capabilities. This system conducts systematic financial evaluations of the macroeconomic environment and micro operational factors, can accurately identify potential value growth space, and builds quantitative decision-making models to provide a scientific basis for enterprise strategic selection and continuously optimize resource allocation to achieve the strategic goal of enterprise value maximization [2].

2.1. Strategic analysis and decision support from a value perspective

Strategic financial management adopts advanced financial analysis technologies to conduct systematic quantitative evaluations of various strategic options. This method not only focuses on "which option has stronger profitability", but also pays more attention to analyzing "which option can achieve higher long-term appreciation of shareholder value". Taking major M&A decisions or new market development strategies as examples, the strategic finance team will build refined financial forecasting models, and draw a clear "value-oriented map" for the decision-making level by simulating cash flow, capital return level and the impact on per share value under different scenarios. It bases strategic decisions on a scientific value creation mechanism, rather than merely on the impulse of enterprise scale expansion or subjective experience [3].

2.2. Capital budgeting and strategic resource allocation

Considering limited resource endowments and diverse investment opportunities, a key function of strategic financial management is to optimize the allocation of scarce capital and direct it to business units, projects and asset portfolios with the greatest potential for value creation. This requires the adoption of dynamic capital budgeting methods with strategic foresight, which not only conduct traditional evaluations of the net present value of a single project, but also systematically consider the synergistic effects between projects, strategic fit, and potential contributions to building the enterprise's sustainable competitive advantage from the perspective of the enterprise's overall strategy. Taking technology enterprises as an example, in accordance with the analytical framework of strategic financial management, compared with short-term capital operations such as share repurchases, tilting resource allocation towards R&D and innovation and digital infrastructure is more in line with their long-term development strategy of technological leadership, so as to cultivate future value growth points for the enterprise [4].

2.3. Integration of business and finance and financial insight into the value chain

Strategic financial management emphasizes the in-depth integration of financial functions into the entire process of business operations to realize the integrated and coordinated development of business and finance. Financial professionals need to systematically understand and master the core driving factors and cost composition principles of each link in the value chain, such as R&D and design, raw material procurement, manufacturing processes, marketing and after-sales service. By using management accounting tools such as activity-based costing, product line profitability evaluation and customer group contribution analysis, the financial department can accurately identify the key nodes of value appreciation and the problems of inefficient resource allocation. Such in-depth analysis can provide support for the decision-making of business units, involving process reengineering, price system optimization and strategies focusing on high-value customer groups, effectively avoiding value leakage at the operational level and improving the ability of value creation. On this basis, the financial department can also build a platform for cross-functional collaboration, transform the results of quantitative analysis into executable improvement plans, and ensure the effective implementation of optimization measures by establishing a dynamic performance monitoring system. Ultimately, a closed-loop management mechanism of "Analysis - Decision-Making - Implementation - Feedback" is formed to achieve the systematic improvement of the efficiency of enterprise value creation [5].

3. The impact mechanism of financial management on enterprise value creation

3.1. The value creation path of financing management

From the perspective of value creation, the operational mechanism of financing management is mainly reflected in two key dimensions: the optimization of capital structure and the collaboration of financing channels. In terms of capital structure, enterprises must carefully balance the tax shield advantages brought by debt financing and the potential equity dilution caused by equity financing, prevent financial risks due to excessively high debt ratios, and avoid the weakening of control power due to excessive equity dispersion, so as to ensure the steady and sustained growth of Economic Value Added. In terms of financing channels, internal financing can effectively reduce the cost of capital by using retained earnings, while external financing can expand the investment scope through the financial market. The organic combination of the two improves the margin of safety in the use of funds, provides the necessary capital guarantee for investment projects with high added value potential, and builds a multi-level financing system to support the value growth of enterprises.

3.2. The value creation path of investment management

Investment management plays a crucial role in improving the efficiency of resource allocation. The core of investment management is to optimize capital allocation through scientific decision-making. Specifically, in the evaluation of project investment, the use of quantitative analysis methods such as net present value and internal rate of return can effectively identify high-quality projects that are in line with the enterprise's long-term development strategy, thus avoiding risks caused by improper resource allocation. Capital budget management adopts an aggregate constraint mechanism and a dynamic adjustment strategy, which can prevent idle funds due to over-investment and opportunity cost losses due to under-investment. Ultimately, it can ensure that the direction of capital investment

is highly consistent with the goal of value creation, so as to realize the continuous optimization of capital appreciation efficiency.

3.3. The value creation path of working capital management

The core of working capital management is to improve fund turnover efficiency and realize the supply chain synergy effect. The optimization of the cash conversion cycle is a key method for cash flow management. Accelerating inventory turnover, speeding up the collection of accounts receivable and appropriately extending the accounts payable period can improve the enterprise's fund flow status and use efficiency. Within the framework of supply chain finance, the systematic integration of the accounts receivable and accounts payable management systems can reduce the fund precipitation cost of enterprises and their supply chain partners, promote the coordinated operation of funds in all links of the industrial chain, and realize the maximum release of overall ecological value.

3.4. The value creation path of risk management

To ensure the sustainable growth of enterprises, risk management plays a key role by effectively controlling value fluctuations. In terms of financial risk early warning, there is a dynamic monitoring system based on core indicators such as current ratio and asset-liability ratio, which can timely evaluate the enterprise's solvency. The implementation of preventive measures before the occurrence of default risks can avoid a sharp decline in asset value due to sudden financial crises. By using financial derivatives such as exchange rate and interest rate tools for risk hedging, enterprises can effectively lock in expected revenues and costs and reduce the negative impact of market fluctuations on their profitability. This is conducive to building a stable operating environment and providing a reliable guarantee for value creation activities.

4. Optimization paths of financial management based on value creation

4.1. Implement value-oriented financing strategies

Considering the coupling relationship between industry characteristics and the dynamic evolution of the enterprise life cycle, it is crucial to construct a flexible capital structure adjustment mechanism. For capital-intensive industries, when using debt financing tools, it is necessary to simultaneously consider the magnification effect of financial leverage and the threshold control of solvency risks. By achieving an accurate match between the debt term structure and the project cycle, the crowding-out of long-term capital investment by short-term debt repayment pressure can be prevented, and an early warning system centered on the asset-liability ratio can be established to ensure the coordinated development of scale expansion and financial prudence. For technology-intensive industries, it is necessary to highlight the strategic role of equity financing; appropriately increasing the proportion of equity capital can provide sustained and stable funds for R&D activities, and introduce technological and management resources by attracting strategic investors, reducing the restriction of high debt ratios on the space for innovation and trial-and-error, so as to maintain the financial flexibility required for technological iteration. Growing enterprises can make full use of the flexibility of short-term debt to support business expansion, but must strictly monitor the growth of cash flow to avoid the disconnection between debt scale and profitability. When enterprises enter the mature stage, long-term financing tools should be used to adapt to the characteristics of stable cash flow; by locking in long-term capital, financial support can be provided for strategic actions such as

technological transformation and market deepening, consolidating the ability of sustained profitability. In terms of the diversification of financing channels, it is necessary to break the limitations of the traditional credit model and establish a multi-level financing system. Green bonds can effectively reduce the cost of obtaining long-term funds by virtue of policy support for environmental protection projects and the advantages of market premium. Supply chain asset securitization products can activate idle assets, improve fund liquidity and enhance the financial synergy effect of the upstream and downstream of the industrial chain through the securitization of existing accounts receivable. Various structured financing tools can meet differentiated capital needs through the hierarchical design of risks and returns, so as to optimize the comprehensive financing cost and build a positive cycle mechanism of "Reduction of Financing Cost - Expansion of Investment Scope - Improvement of Value Creation Capacity".

4.2. Strengthen the value evaluation system for investment decisions

Theoretically, the introduction of the EVA assessment mechanism transforms the project evaluation paradigm from the traditional profit orientation to the essence of value creation, whose core is to incorporate the cost of capital into the evaluation system. Traditional accounting profit indicators have inherent defects, failing to fully reflect the opportunity cost of equity capital and the actual cost of debt capital, which may lead to decision-making deviations that show book profits but essentially damage enterprise value. In contrast, the EVA indicator can effectively identify and eliminate projects that only generate book profits but fail to realize capital appreciation by deducting the comprehensive cost of capital including both equity and debt, ensuring that investment activities that truly create economic added value stand out. This mechanism restrains the irrational behavior of blindly pursuing scale expansion at the source of decision-making and reduces the value loss caused by inefficient capital allocation. Practically, the construction of a post-investment evaluation system requires the establishment of a closed-loop management framework running through the entire life cycle of the project. During the project construction stage, resource allocation optimization based on dynamic budget deviation analysis should be carried out; during the project operation stage, a systematic comparison between the actual rate of return and the expected target should be conducted, and strategic adjustments should be made according to the research results. At the project exit stage, a comprehensive evaluation of the entire value creation process should be carried out to ultimately form a complete analysis of the value creation path. Closely linking the evaluation results with the decision-making accountability mechanism can transform the investment decision-making logic from opportunism orientation to value orientation, ultimately realizing the optimal allocation of capital to strategic business areas and high-return projects, and improving both the efficiency of capital use and the enterprise's value creation capacity.

4.3. Improve the lean management level of working capital

The core goal of the lean management of working capital is to achieve a high degree of coordination between fund flow and enterprise operational needs. It uses digital means and dynamic regulation mechanisms to improve the efficiency of capital allocation and control the cost of idle resources. The cash flow-oriented rolling budget system needs to break the rigid constraints of the traditional static budget and establish a quarterly dynamic fund adjustment mechanism to optimize the capital allocation strategy for procurement, production and sales links according to changes in market supply and demand. During the sales peak period, the allocation level of inventory funds should be raised in advance to ensure the stable operation of the supply chain; during the market off-season,

the occupation of non-essential funds should be systematically reduced to achieve an efficient match between fund operation and the business cycle. The construction of an integrated digital working capital management platform requires the integration of the ERP system and supply chain data, as well as the integration of the whole-process information chain from purchase orders to sales collection. By conducting real-time monitoring of key indicators such as inventory turnover rate and days sales outstanding, an automated fund early warning mechanism is established to avoid fund precipitation or liquidity risks caused by information asymmetry. Ultimately, the efficiency of working capital management is transformed into the core driving force for the appreciation of enterprise value.

4.4. Improve the financial risk management system

It is necessary to effectively evaluate the market risks faced by enterprises. This study adopts the VaR method to construct a risk quantification model to measure the potential impact of various types of risk factors on enterprise value. In addition, this study combines stress testing technology to simulate the cash flow fluctuations of enterprises under extreme market conditions, thus providing a scientific basis for enterprise risk management decisions. Targeting different types of market risks, this study proposes differentiated hedging solutions. Interest rate swap tools are used to lock in the enterprise's financing costs to cope with interest rate risks; forward foreign exchange contracts are used to avoid the impact of exchange rate fluctuations on enterprise settlement; hedging strategies are used to stabilize the uncertainty of production costs caused by raw material price fluctuations. In terms of organizational management, it is suggested to construct a collaborative risk control mechanism between the financial department and business departments. The financial department is mainly responsible for establishing a risk quantification analysis system, while business departments identify risk sources in the industrial chain according to market dynamics, and the two parties jointly formulate comprehensive hedging solutions, such as the diversified layout of suppliers and decentralized operation in regional markets. Risk management should be integrated into the entire process of enterprise value creation to effectively prevent the negative impact of sudden risk events on enterprise value.

5. Conclusion

This study expands the interdisciplinary research field of financial management and value creation theory at the theoretical level, and constructs a systematic analytical framework that can promote the transformation of enterprise financial management towards a strategic and value-creating model. In terms of practical application, through specific implementation paths such as optimizing the financing decision-making mechanism, improving the investment evaluation index system, carrying out lean working capital management and perfecting the risk early warning and prevention system, it provides an operable solution for enterprises to achieve sustainable development in a complex operating environment. Strategic financial management is a key driving factor for the value creation of modern enterprises, and its functional positioning has gradually changed from a traditional supporting role to a core element supporting enterprise strategic decision-making.

References

- [1] Chen Zhibin, Pan Haoqiang. The Transformation Path of Corporate Financial Management from the Perspective of Value Creation [J]. Finance and Accounting, 2022(17): 77-78.

- [2] Ding Shenghong, Zhou Hongxia. Research on Innovation in Enterprise Financial Management Theory [J]. Accounting Research, 2020.
- [3] Zhang Jianqing. Promoting the transformation of financial concepts from transactional to strategic and value-creating through dual mainline paths [J]. Finance and Accounting, 2022(22): 73-74.
- [4] Zhang Meng. Research on the Impact of Financial Management on Enterprise Value Creation and Its Optimization [J]. Management and Technology of Small and Medium Enterprises, 2025, (20): 171-173.
- [5] Xie Guohua. Research on the Impact and Optimization of Financial Management on Enterprise Value Creation [J]. Township Enterprise Herald, 2024, (17): 174-176.