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Research on the Application of Business-Finance Integration Model in Enterprise Risk Management

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Abstract: With the accelerated process of global economic integration, the iteration and upgrading of digital technologies, and the in-depth adjustment of market competition patterns, the operational risks faced by enterprises have transformed from traditional single business risks to multi-dimensional risks, including market fluctuations, supply chain disruptions, compliance supervision, and capital chain security. As a new management model that breaks down the barriers between business and finance domains and realizes the digitalization of both business and financial data, business-finance integration focuses on effectively integrating business processes with financial processes. This extension of financial functions provides more accurate and timely support for enterprise risk management. Based on this, this paper analyzes and studies the application of the business-finance integration model in enterprise risk management, providing a reference for relevant practices.

Keywords: Business-finance integration; Digital technology iteration; Enterprise risk management

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1. Introduction

Against the backdrop of global economic integration and fierce market competition, enterprises are confronted with an increasing number of uncertain factors. Effectively managing and controlling risks has become crucial for enterprises to achieve sustainable development and maintain competitiveness. The traditional risk management model focuses more on post-event handling rather than proactive preparation, making it difficult to meet the risk management needs of modern enterprises. In contrast, business-finance integration combines business operations with financial management to achieve information sharing and collaborative work. This helps enterprises comprehensively identify and assess risks, thereby improving the efficiency of risk management.

2. Overview of the business-finance integration model

2.1. Basic concept and characteristics of business-finance integration

As a new enterprise management model, business-finance integration focuses on integrating business operations and financial management to build a coordinated and unified system that further serves the enterprise's strategic goals. This model breaks down the traditional barrier of independent operation between business and financial departments, facilitating their integrated development. Under this model, the business department and financial department no longer operate independently but cooperate as a whole to jointly promote the implementation of the enterprise's strategy. Business-finance integration enables enterprises to break down inter-departmental barriers, achieve effective information sharing, and enhance the scientific nature of decision-making.

At the same time, this model optimizes business and financial processes, further improving work efficiency and reducing operational costs [1]. The characteristics of the integration of business and finance include the following aspects:

(1) Information sharing: By establishing a sound information sharing mechanism, it ensures that the business department and the finance department can promptly exchange accurate information, thereby providing corresponding information for enterprise managers and supporting the decision-making of the enterprise;

(2) Collaborative operation: The business department and the finance department carry out collaborative operations in aspects such as business processes and financial processes, and build synergy, which helps to improve the effectiveness of work;

(3) Consistent goals: The business department and the finance department should work around the strategic development goals of the enterprise, thereby ensuring the effective allocation of enterprise resources and the sustainable development of the enterprise [2].

2.2. The role of business-finance integration for enterprises

The adoption of the business-finance integration model helps break the traditional management model and make the enterprise's financial management more organized. In addition, the application of this model helps early warning and prevention of problems that may arise during the enterprise's production and operation processes, thereby ensuring the effectiveness of enterprise management.

Moreover, business-finance integration enhances the enterprise's risk prevention capabilities. In a market full of uncertainties, integrating financial management with business operations enables enterprises to fully identify potential risks and avoid economic losses. Other than that, business-finance integration facilitates the implementation of the enterprise's business plans.

By fully combining business and finance, enterprises can achieve better resource allocation and ensure the consistency of business goals and financial goals. The business-finance integration model directly affects the effectiveness of the enterprise's financial management. A scientific and flexible management model helps enterprises fully understand changes in the current market environment, continuously adjust financial strategies, and ensure the effective implementation of financial activities. This model also helps clarify the enterprise's development goals and improve its management capabilities [3].

2.3. Implementation methods of business-finance integration

Enterprises should utilize modern information technology to build a unified and efficient shared data platform to better facilitate the transmission of data and information. This platform mainly involves functions such as data entry, storage, and query, and has the ability to analyze and mine data, providing more information resources for management and ensuring support for their decision-making. Through this data platform, business departments can fully understand the financial situation, including capital flow and cost composition, and thus more accurately formulate market strategies and business plans. In addition, the finance department can fully understand the specific business dynamics of the current enterprise, including sales and inventory situations, thereby providing support for financial planning. The construction of a shared data platform can effectively break through the barriers between departmental information and promote the circulation and integration of information, providing support for the development of the enterprise.

Enterprises should optimize the current business and financial processes, eliminate repetitive steps, and thereby improve work efficiency [4]. During the optimization process, enterprises should pay attention to the coordination between business processes and financial processes to ensure the effective transmission of information. Enterprises should also establish more complete management systems and norms, and clearly define the authority of different departments to ensure the orderly conduct of work. Systems include aspects such as data sharing and process optimization, providing institutional guarantees for the implementation of business and finance integration. In addition, enterprises need to strengthen cultural construction, create a favorable atmosphere for business and finance integration, and enhance employees' awareness of business and finance integration and their sense of collaboration through training and publicity [5].

3. Application of the business-finance integration model in enterprise risk management

Against the backdrop of economic globalization, digital technologies are updated and iterated, and the market competition pattern has been adjusted. The operational risks faced by enterprises have also changed. The traditional fragmented risk management model has gradually exposed problems, often leaving enterprises in a passive position when responding to risks, which directly affects their sustainable development. Business-finance integration can break down the barriers between business and finance, achieve the effective integration of management work, and provide more accurate support for enterprise risk management through the integration of data resources [6].

3.1. Risk identification and assessment

During the development of an enterprise, the business department and the finance department maintain their independence, and the information communication mechanism between them is not well established. This leads to difficulties in accurately assessing and analyzing risks when they occur. However, the integration of business and finance can break down the barriers between departments, enabling effective sharing of business and financial information and providing more precise data support for enterprise managers [7]. In the process of risk identification, the business department is mainly responsible for collecting market conditions, analyzing customer needs and competitor information, while the finance department needs to calculate financial data, analyze cost structures and assess the implementation of budgets.

Through the effective combination of the two, risks faced by the enterprise can be identified more accurately. For example, in terms of market risk identification, the business department can predict future sales through market analysis, and the finance department can evaluate the current market profitability based on sales data and specific cost information, determining the specific risk situation. In risk assessment, the integration of business and finance can improve the accuracy of risk assessment by introducing both quantitative and qualitative assessment methods. The business department can effectively judge the possibility of risk events based on its professional knowledge and experience, while the finance department can establish risk assessment models, integrate relevant information and conduct risk assessments [8].

3.2. Risk early warning and response

Risk warning and response are key measures in enterprise risk management and also a way for the integration of business and finance model to demonstrate its value. Under the integration model of business and finance, enterprises can establish a risk warning mechanism. By continuously monitoring business data and financial data, they can promptly identify potential risk issues and trigger the corresponding warning mechanism. The construction of the risk warning system requires cooperation between the business department and the finance department. The business department is responsible for providing key business information and market information, while the finance department needs to monitor the liquidity funds.

If there is an abnormal data phenomenon, timely risk analysis is required, and corresponding risk warnings need to be made [9]. For example, in credit risk warning, when a customer has overdue payments or a credit rating drops, the business department should promptly feedback the information to the finance department. The finance department then needs to issue a warning signal through the risk warning system to remind of taking corresponding risk measures. In terms of risk response, the integration model of business and finance also plays an important role. When a risk event occurs, the business department and the finance department need to make a coordinated response and formulate corresponding response plans. The business department can adjust the business based on its own judgment. The finance department needs to evaluate different response plans from a financial perspective to ensure the effective implementation of the decision-making process [10].

3.3. Risk control and improvement

Risk control and improvement are the key goals of enterprise risk management, and they are also an important link for the continuous effectiveness of the integrated business-finance model. In the field of risk control, the integration of business can help to better implement internal control and improve the internal risk system of the enterprise, thereby further reducing the probability of risk occurrence. Business departments have significant value in the process of risk control, as they are responsible for carrying out specific business operations and management activities, thereby ensuring the effective conduct of business activities. The finance department, through auditing and supervision methods, checks the risk control situation of the business departments, thereby ensuring the effective implementation of risk control work. At the same time, the finance department should provide methods for risk control and improvement. In terms of risk improvement, the integrated business-finance model should continuously improve the process and methods of risk management, further enhancing the effectiveness of risk management. The business department and the finance department can jointly analyze the characteristics of risk events and propose corresponding improvement plans [11].

3.4. Risk response and decision-making

Risk response work needs to meet the requirements of operational feasibility and financial sustainability. Business-finance integration achieves this goal through the following paths:

(1) For high-priority risks, organize the business, financial, and risk control departments to jointly formulate strategies, balancing business needs and financial costs [12]. For example, in the face of the risk of rising raw material prices, the business department proposes a plan to replace raw materials with lower costs, while the financial department calculates the purchase cost and quality cost of the new raw materials. A combination of “replacing raw materials + signing long-term agreements with suppliers” is determined to ensure the stability of supply;

(2) Divide response strategies into specific business and financial actions, and clarify the responsible departments and corresponding tasks. For example, in response to inventory overstock risks, the business department is responsible for formulating promotional activity plans, while the financial department calculates promotional costs and overdue receivables. By adjusting the inventory valuation method, the enterprise can increase sales volume and achieve the goal of financial cost control;

(3) The financial department calculates the cost-benefit of different strategic plans and selects the plan with the lowest cost and highest benefit [13]. For example, when responding to compliance risks, an enterprise can choose between establishing an in-house compliance team or outsourcing compliance services. Combined with the business department’s evaluation of compliance response speed, the enterprise can select the optimal plan [14].

3.5. Risk monitoring and management

The key to risk monitoring lies in real-time tracking and timely adjustment. Business-finance integration enables dynamic risk control through effective coordination of information platforms and processes. For instance:

(1) Build an integrated business-finance risk monitoring platform, set risk early warning thresholds, and monitor business-finance risk indicators in real time. If an indicator exceeds the threshold, an early warning is automatically triggered. This monitoring method enables dynamic mastery of the enterprise’s financial information, provides key information for the business and financial departments, and facilitates timely investigation of causes and adjustment of plans;

(2) Establish a bi-weekly joint business-finance reporting system. The business department and financial department jointly issue a risk monitoring report every week, reporting changes in risks and the progress of implementing response strategies. For example, during the "618" shopping spree, an e-commerce enterprise's business department can report data such as order volume and return rate, while the financial department reports data such as capital inflows and outflows. The combination of the two enables the monitoring of logistics delay risks caused by a surge in orders, and the enterprise can adjust its promotional plans based on logistics resources;

(3) Conduct joint business-finance review work , regularly review the effectiveness of risk response, analyze the reasons for strategies that fail to meet expectations, and further optimize processes. Only by doing a good job in review can enterprises identify existing problems, improve development strategies, and provide support for future development [9,10, 15].

4. Conclusion

In summary, the application of the business-finance integration model in enterprise management is a reconstruction of the traditional financial management model and an inevitable choice for enterprises to respond to risks and achieve long-term development. Business-finance integration provides support for enterprise risk management, transforming risk management from passive response to proactive prevention and control. Against the background of increasing global economic uncertainty, business-finance integration is not a simple combination of business and finance, but a strategic choice for enterprises to build core competitiveness. Only by taking value creation as the guide and technological empowerment as the support can enterprises continuously optimize the business integration management mechanism and provide support for enterprise risk management work.

Disclosure statement

The author declares no conflict of interest.

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