

# Research on the Operation Mode of Traditional Enterprise Transformation from the Perspective of Venture Capital

Yan Li\*

Corresponding author: tg667788@xzcstudio.com\*

Dalian Vocational and Technical College, Dalian, Liaoning, 116035, China

**Abstract.** Based on the current urgent needs of traditional enterprise transformation, this article starts with the traditional enterprise transformation operation mode from the perspective of venture capital, and briefly introduces it. At the same time, focusing on the transformation and development of enterprises, it can clarify the construction methods of traditional enterprises' transformation operation mode under venture capital. In addition, focusing on improving the core competitiveness of the enterprise market, the necessity of risk prevention in online transformation is proposed, which lays the foundation for reducing business risks and improving management efficiency.

**Keywords-**venture capital; traditional enterprises; transformation and operation

## 1. INTRODUCTION

At this stage, there is little theoretical research on the traditional enterprise transformation operation mode from the perspective of venture capital. Based on the status quo of this problem, effective measures are required to analyze and study it, such as clarifying transformation goals and constructing an operating model structure, strengthening the refined management and control of transformation operation risks, and improving the construction of a risk investment management system. This study introduces the transformation and operation methods of traditional enterprises from different levels. It will provide theoretical assistance for comprehensively assisting the transformation and development of traditional enterprises.

## 2. OVERVIEW OF VENTURE CAPITAL

Venture capital is based on a high-return, high-risk investment design layout. Venture capital emerged late in China due to the influence of long-term planned economic system. Coupled with the restrictions of the initial stage of the market economy, China has now entered a period of new economic development. Enterprise investment is no longer limited to a single solidified form. It is increasingly developing into a high-risk category that is challenging, stimulating, and

gaming. The characteristic of venture capital lies in the riskiness of the investment process and investment results, which is different from traditional investment methods. Venture capital lies in the game of input costs, that is, high returns driven by high risks. If risks occur or are out of control, all investment costs will be consumed. If risks are effectively avoided, higher investment returns will be obtained. The two conflict and influence each other.

In addition, venture capital will also affect the company's own development to a certain extent, which is analyzed from the perspective of corporate characteristics and development strategies. In the initial start-up stage of the enterprise, it can choose more venture capital models to facilitate the completion of the 'first pot of gold' income through game and layout design. Therefore, venture capital is also called venture investment. Venture capital companies are mostly at the start-up stage, traditional models or centralized internal control companies.

### **3. THE SIGNIFICANCE OF THE TRANSFORMATION OF TRADITIONAL ENTERPRISES**

As China gradually enters the new economic development period, the importance of enterprises as an important part of market driving force and social and economic construction is self-evident. Traditional enterprises are affected by the dual influence of planned economy and market economy, and there are many disadvantages in their development, leading to conflicts and management failures in the profitability and operation of traditional enterprises. Through the transformation and upgrading of traditional enterprises and the optimization of internal control, it is convenient to improve the survival rate of enterprises in the new economic development period, realize internal stability and operational safety of the enterprise, complete internal control optimization and cost control, and play a decisive role in reducing internal consumption and stabilizing domestic demand. At the same time, from the analysis of the market, the increasingly cruel market competition has a greater impact on traditional enterprises. New situations, new demands, new projects, new technologies, etc. all have a considerable impact on business operations, business production, business sales, and business security. Focusing on the survival and development and scale growth of enterprises, through the strategic transformation of traditional enterprises, it can improve the core competitiveness of the enterprise market, strengthen the adaptability of the enterprise market, meet the strategic implantation of new technologies, new models, and new methods, and realize the market for the later traditional enterprises. The strategic plan lays the foundation. Finally, from the field-related level analysis, new fields and new directions are clarified during the transformation of traditional enterprises. Through the analysis of the industrial operation of the enterprise in different cycles, it focuses on the natural adaptation of the enterprise to the laws of the industry, and clarifies the results involved in the new field, laying a foundation for the survival of traditional enterprises in conforming to the trend of the times and in the new economic era.

## 4. MAJOR CHALLENGE IN THE TRANSFORMATION OF TRADITIONAL ENTERPRISES BASED ON RISK INVESTMENT

### 4.1 Innovative thinking and risk awareness need to be improved

Traditional enterprise transformation is not a single and one-sided simple process, but a more scientific and reasonable system layout. Traditional enterprises are affected by many factors as shown in figure 1.

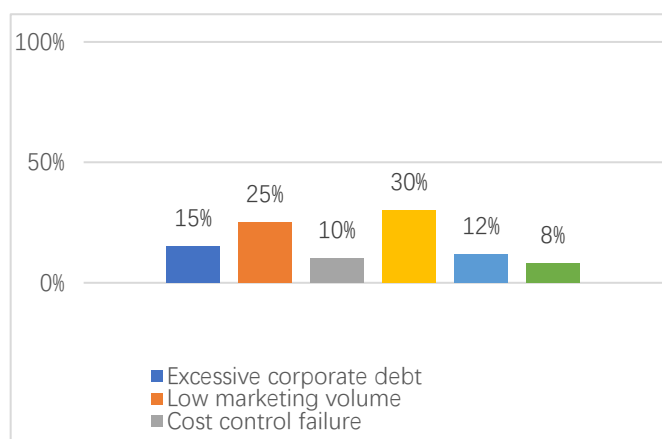


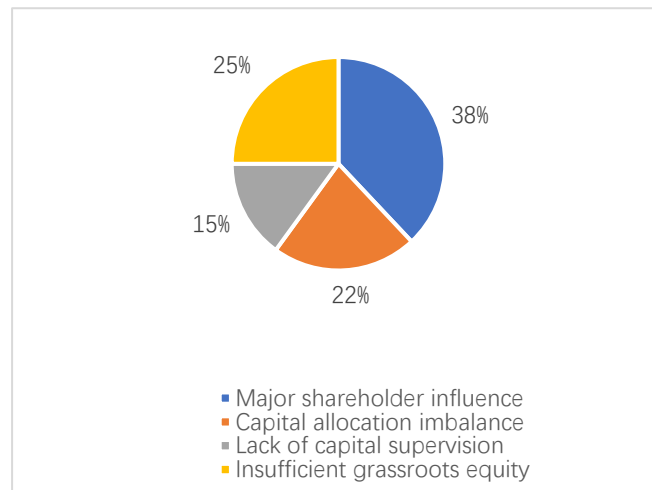
Figure 1. Major challenges facing traditional enterprise transformation: (%)

Data Source: Statistics derived

After analyzing the data in figure 1, it is concluded that the project investment risk accounts for 30%. The marketing volume is low at 25%. Excessive corporate debt and backward management mechanisms are 15% and 12% respectively. Cost control failure and lack of professional talents have relatively small impacts, at 10% and 8%. Therefore, venture capital is regarded as an important control node for the transformation of traditional enterprises. Among them, venture capital is one of the main problems faced by the transformation of enterprises, accounting for 30%. It should be systematically analyzed, and venture capital should be regarded as an important control node for the transformation of traditional enterprises. However, after analysis, it is found that some traditional enterprises lack innovative thinking in their transformation operations and cannot start with the purpose and direction of transformation. A single form of transformation cannot achieve the expected results, and plans should be made to lay out industrial innovation and industrial adjustments. The lack of transformational and innovative thinking will lead to frequent problems in actual operations and poor results. At the same time, the weakening of risk awareness has a considerable impact on transformation operations. Traditional enterprises are mostly characterized by rigid systems, single operations, and simple industrial structures. For example, the lack of attention to the risk factors and hidden dangers in the transformation operation will result in the failure of the transformation or the loss of economic benefits. Therefore, from the perspective of venture capital, corporate decision-makers should improve risk prevention and control awareness [1].

#### 4.2 Lack of risk control of transformation risk

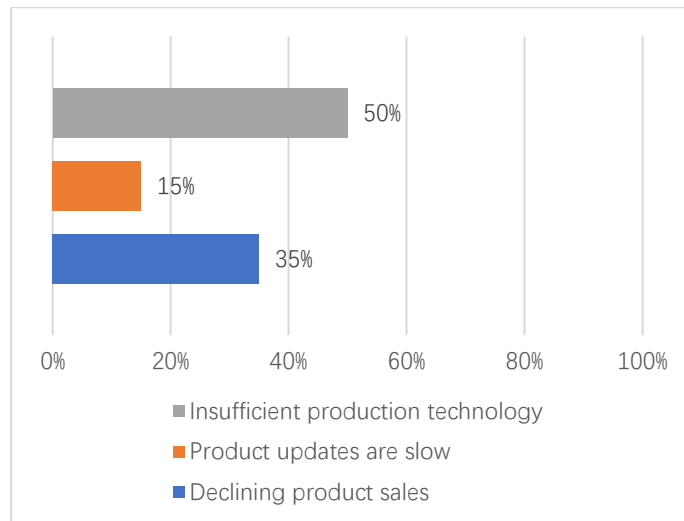
After analysis, it is found that some traditional enterprises lack risk control of capital operation in the transformation operation and do not understand various hidden dangers in capital transformation operation, leading to the transformation results of capital operation, as shown in figure 2.



**Figure 2.** Current proportion of traditional enterprise capital operation problem: (%)

Data Source: Statistics derived

After analyzing the data in figure 2, it is found that the majority shareholder has a greater influence, accounting for 38%. The lack of grassroots equity and the imbalance of capital allocation are 25% and 22%. The lack of capital supervision is 15%. Therefore, it is necessary to strengthen effective control over the influence of major shareholders, strengthen equity differentiation, and increase the proportion of grassroots shareholding, optimize the asset allocation structure of enterprise transformation, and improve asset operation supervision. First of all, the degree of refined management and control of capital operation risks is insufficient. Traditional corporate capital is based on framework results, consisting of large shareholders and small shareholders in accordance with the size of the equity, and the proportion of debt is also used as one of the criteria for dividing equity. The transformation operation will affect the existing equity and structure. If detailed analysis and quantitative control of equity re-allocation are not possible, it is easy to cause equity differentiation and contradictory methods, which will have a great impact on equity holders and creditors, and it will also have a great impact on the development of the company itself unfavorable. Secondly, from the analysis of the capital level from industry to product, production to operation, the lack of capital operation control will result in a decline in product sales, production efficiency and operating efficiency, etc., as shown in figure 3.



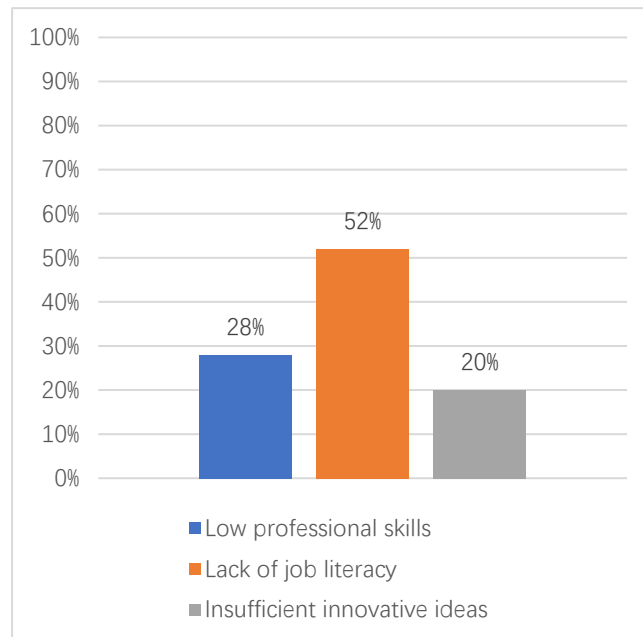
**Figure 3.** Status quo of production and operation of traditional enterprises: (%)

Data Source: Statistics derived

After analyzing the data in figure 3, it is found that the production technology is insufficient to account for 50%. Product sales declined by 35%, and product updates were slower by 15%. Therefore, it is necessary to comprehensively upgrade the production technology of the enterprise, which will indirectly drive product updates and directly increase product sales. Therefore, capital allocation in the industrial chain must be reflected in the timeliness function to ensure the timeliness of capital operation and allocation. Finally, some companies have insufficient refinement in their transformation operation management, which is mainly reflected in the inadequate capital operation plan, unscientific transformation operation management, and imperfect risk prevention system [2].

#### **4.3 The risk investment management system needs to be strengthened and improved**

Venture capital management is one of the important guarantees for the transformation and operation of enterprises. The lack of a venture capital management system cannot escort the transformation operation. The transformation of enterprises is mainly based on industrial transformation, production transformation, capital transformation, and technological transformation, and the unified level is the strategic development transformation. Venture capital is the rational control, objective analysis and preventive response to various investment behaviors in the transformation and operation of enterprises. After analysis, it is found that the specific problems are as follows. Firstly, the risk investment management has copeability and formality. It is unable to systematically analyze, predict and deal with various risk investments, and lack effective risk investment plans. Lack of risk assessment of cost operation and allocation in industrial transformation, and blindly carrying out industrial cost operation has led to frequent problems in the later period. Secondly, the professional abilities of venture capital managers are insufficient, as shown in figure 4.



**Figure 4.** Current situation of traditional enterprise management personnel: (%)

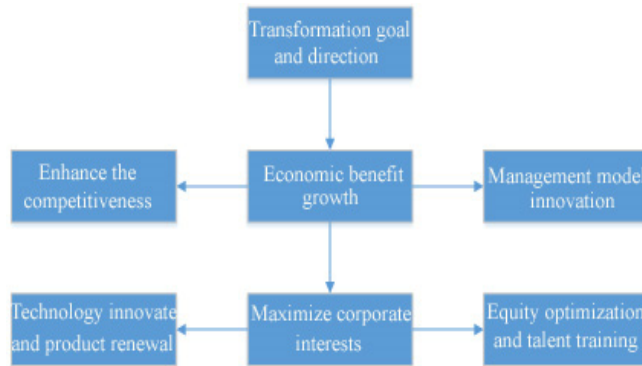
Data Source: Statistics derived

After analyzing the data in figure 4, it is found that the lack of job literacy accounts for 52%, the professional skills are low at 28%, and the innovative concept is less than 20%. Therefore, from the analysis of the construction of the talent system in the transformation and operation of the enterprise, it is necessary to strengthen job literacy training, drive the strengthening of professional skills, and ultimately stimulate the innovative ideas of employees. The role of people in the strategic transformation of traditional enterprises is particularly critical. In the specific operation, the staff of various departments and agencies are required to coordinate. If the managers in venture capital are not familiar with the relevant professions, it will lead to numerous obstacles in the development of departmental coordination and cooperation. It cannot interpret the risk investment prevention and response process, which affects the successful transformation and capital operation of traditional enterprises [3].

## **5. ANALYSIS OF THE TRANSFORMATION AND OPERATION MODE OF TRADITIONAL ENTERPRISES UNDER THE SCOPE OF VENTURE INVESTMENT**

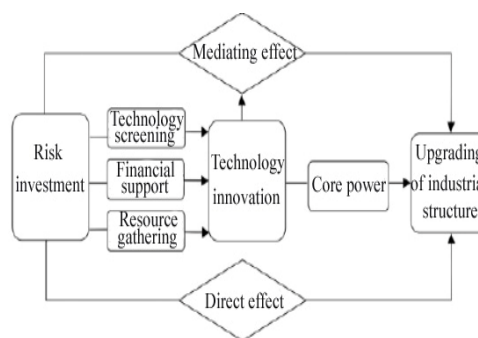
### **5.1 Clear the transformation objectives to build the operational mode structure**

Traditional enterprises need to clarify their transformation goals in their transformation and upgrading. Combining the status quo and development needs of the enterprise itself, maximize the benefits of the enterprise transformation and adjust the capital operation and capital structure.



**Figure 5.** Modeling of enterprise transformation and operation

The operation model takes the enterprise economic benefit growth as the core, transformation objectives and direction as the premise of the optimization of the economic benefit growth for the external market competitiveness, internal management mode innovation, and technological innovation, product update and equity optimization and talent training. Firstly, it can take the profitable development of the enterprise and the maximization of economic efficiency as the transformation goal, take the economic efficiency growth and the profitability of all parties as the core direction, clarify the direction and goal, and form the transformation driving force and the core point of operation. Secondly, on the basis of adapting to the market environment and enhancing the core competitiveness of the enterprise market, the transformation and upgrading of traditional enterprises is a new transition from industry to technology, operation to production, and an innovation in the thinking mode of the old market mechanism and capital operation. In the construction and development of the transformation operation mode, it is necessary to take the market as the guidance and core competitiveness as the basis, and comprehensively consolidate and upgrade. Thirdly, it can build the structure of the transformation operation mode, and design the structure of the transformation operation mode according to the transformation goals and specific directions, as shown in figure 5.



**Figure 6.** Venture capital, technology innovation and industrial structure upgrade

Through designing the structure of the transformation operation mode, the specific work will be implemented. It can take the system as a guarantee, prevent and avoid various risks, and reduce

the risk factors of capital operation and equity division. Release of grassroots equity can weaken the involvement of major shareholders in management decision-making power, strengthen the function of the board of directors, and increase employee shareholding. It can also carry out the maximum rational design and configuration execution of capital operation, avoid all kinds of contradictions and conflicts of interest, and help the rapid transformation of traditional enterprises as shown in figure 6 [4].

### **5.2 Strengthen the refined management and control of risks in transformation operations**

After clarifying the target direction of the traditional enterprise transformation operation model, it should start from the aspects of timeliness and risk prevention. Research on various methods, tools and measures, deepen the enterprise industrial chain and production and operation, and carry out a three-dimensional and simultaneous transformation of products, markets, and internal control. Firstly, it can analyze the environment in which the enterprise is located, and analyze the risk factors in the industrial adjustment and industrial layout. Taking corporate investment as an example, systematically assess the profitability and spread of risk investment, including market research, project analysis, data testing, simulation deduction, etc., can use modern information technology to carry out detailed analysis and quantitative control of the risk investment process. According to reference and standard implementation, it can ensure high returns and avoid high risks. Secondly, it can realize online transformation, which is based on Internet+, e-commerce model and information and data technology innovation. It can also carry out the online structure of the enterprise industry and product operation, with offline production + online marketing and other models. Reaping high benefits and high profits through light asset investment, risk investment projects need to be rationally designed during online transformation operations. Online investment is different from physical investment, and its risk volatility is greater. In the actual transformation operation, the development and stability of investment objectives should be evaluated and predicted to reduce the incidence of risks and improve profitability [5].

### **5.3 Improve the construction of risk investment management system**

In view of the existence of risk rates in the transformation and operation of traditional enterprises, it should improve its own risk investment management system. Firstly, it can strengthen the construction of the risk investment management system. In system construction, it is necessary to improve the responsibility mechanism and risk mechanism based on the interests of corporate strategic transformation. It can also implement systems for investment project analysis, project data monitoring and other related work, deepen the responsibilities of management positions, and apply the concept of risk investment to production, operation and management, so that the function of risk prevention and timeliness can be realized. Secondly, it can improve the ideological quality, risk awareness and professional capabilities of staff and managers through training. It can focus on venture capital, and conduct intensive training on the relevant professional knowledge involved. It will allow managers and decision makers to master and control risk investment projects from different levels, improve coping capabilities, risk mitigation skills, etc. Thirdly, it can build a risk investment evaluation system to reflect the risk investment evaluation function of the enterprise transformation operation, such as board evaluation, expert team evaluation, grassroots management evaluation, market survey



evaluation, etc. Combining the recommendations and results of multiple evaluations, targeted work can be carried.

## 6. CONCLUSION

To sum up, through the analysis and research of the traditional enterprise transformation operation mode from the perspective of venture capital, it can clarify the main challenges faced by traditional enterprises in their transformation and operation. Market-oriented optimization of the model mainly includes clarifying the transformation goals and constructing the structure of the operation model, strengthening the refined management and control of risks in the transformation operation, and improving the construction of the risk investment management system. It discusses the transformation and operation of traditional enterprises under venture capital, and provides references for comprehensively promoting the rapid transformation of traditional enterprises in the period of new economic development.

**Acknowledgment:** Project Name: Research on Enterprise Venture Investment (CVC)  
Project number: DZ2021B08

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