Analysis of Financial Management Objectives for Entrepreneurial Enterprises Based on Enterprise Contract Theory

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Abstract: The purpose of this article is to explore the special challenges and strategies of venture enterprises in setting Enterprise Financial Management (EFM) objectives, and to provide a clearer and more systematic framework for setting EFM objectives for venture enterprises from the perspective of enterprise contract theory. Firstly, the research reviews the basic concept, development and application of enterprise contract theory in EFM, and makes clear the internal relationship between stakeholder theory and enterprise contract. Subsequently, the article deeply analyzes the characteristics and importance of EFM objectives of start-up enterprises, and points out its uniqueness and flexibility under the conditions of limited resources and uncertain market environment. In this article, the EFM objectives such as profit maximization, shareholder wealth maximization, enterprise value maximization and stakeholder income maximization are discussed in detail by various methods, and the advantages, limitations and applicable scenarios of each objective are revealed. It is found that entrepreneurial enterprises should flexibly choose and adjust their EFM objectives according to their own development stages, resource conditions and market environment in order to achieve long-term sustainable development.

1. Introduction

In today's rapidly changing business environment, as an important force to promote economic growth and innovation, the setting and realization of EFM objectives of entrepreneurial enterprises are directly related to the survival and development of enterprises [1]. However, under the multiple challenges of limited resources and uncertain market environment, how to determine the EFM objectives scientifically and reasonably has become an important problem to be solved urgently [2]. Enterprise contract theory, as an important theoretical basis of modern enterprise management, provides a unique perspective for understanding the relationship between stakeholders within the enterprise and its influence on the EFM objectives of the enterprise [3]. Therefore, an in-depth analysis of the EFM objectives of start-up enterprises based on the enterprise contract theory is helpful to reveal the internal logic of the EFM objectives of start-up enterprises [4]. It can also provide theoretical support for entrepreneurial enterprises to formulate more reasonable and effective EFM strategies in practice.

This article discusses the special challenges and considerations faced by entrepreneurial enterprises in setting EFM objectives. The research will focus on the following core issues: How should start-ups adjust their EFM objectives according to the enterprise contract theory at different stages of development? How do stakeholders in enterprise contract theory influence the EFM decision and goal setting of start-up enterprises? How to realize the long-term sustainable development of entrepreneurial enterprises by optimizing EFM objectives? By answering these questions, this study hopes to provide a clearer and systematic framework for setting EFM goals for start-ups and help start-ups make more wise financial decisions in a complex and changeable market environment, thus enhancing their overall competitiveness and market adaptability.

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2. Enterprise contract theory

2.1. The basic concepts of enterprise contract theory

Enterprise contract theory is an important theoretical achievement of the cross-integration of modern economics and management, which fundamentally redefines the essence of enterprises [5]. According to this theory, an enterprise is a combination of a series of contracts, which include not only explicit contracts, such as shareholder agreements and employment contracts, but also implicit tacit understanding and expectations, such as corporate culture and professional ethics [6]. The theory of enterprise contract emphasizes that the existence and development of an enterprise is based on the cooperation and balance achieved by various stakeholders in the form of contract, and each stakeholder has provided specific resources or assumed specific risks for the enterprise, and expects to get corresponding returns from it [7]. This theory provides profound insights for understanding the internal power structure, interest distribution and decision-making mechanism of enterprises.

The origin of enterprise contract theory can be traced back to the concept of "contract" in economics, but the real formation of the system and widespread concern began in the middle and late 20th century [8]. After entering the 21st century, with the rise of corporate social responsibility and sustainable development, corporate contract theory has further integrated the concept of social contract, emphasizing that enterprises should take into account social and environmental responsibilities while pursuing economic benefits, thus realizing the expansion from a single economic contract to a multi-social contract.

2.2. The application of enterprise contract theory in EFM

In the field of EFM, enterprise contract theory provides a new perspective for understanding core issues such as capital structure, investment decision-making and profit distribution. It points out that EFM decision-making is not only the application of mathematical model, but also the balance and coordination of the contractual relationship of all stakeholders. Table 1 lists several types of EFM decisions under the enterprise contract theory, including capital structure decisions, investment decisions, profit distribution decisions, financing decisions and risk management decisions. For each decision-making type, the decision-making content, the stakeholders involved and the contractual relationship that needs to be considered in the decision-making process are listed. This helps to understand how the enterprise contract theory provides a new perspective for EFM decision-making, and emphasizes the need to balance and coordinate the interests of all stakeholders in the decision-making process.

Table 1 EFM Decisions Under the Corporate Contract Theory

Type of EFM Decision	Decision Content	Stakeholders	Consideration of Contractual Relationships
Capital Structure Decision	Issuing new shares to raise funds	Shareholders, Creditors	Balancing the risks and returns for shareholders and creditors, ensuring debt security for creditors, and considering the impact of new share issuance on shareholder control
Investment Decision	Investing in new projects	Shareholders, Management, Creditors, Employees	Assessing project risks and returns, ensuring investments align with shareholder interests, considering management's strategic goals, creditor fund security, and employee employment and benefits
Profit Distribution Decision	Announcing dividend plans	Shareholders, Creditors, Employees	Balancing shareholder dividend needs with the need for retained earnings for reinvestment, considering interest payments to creditors and employee incentives and retention
Financing Decision	Choosing between debt or equity financing	Shareholders, Creditors, Potential Investors	Assessing the impact of different financing methods on the corporate capital structure, ensuring financing decisions align with shareholder interests, and considering debt risk for creditors and investment returns for potential investors
Risk Management Decision	Purchasing insurance to mitigate potential risks	Shareholders, Creditors, Employees, Insurance Companies	Evaluating insurance costs versus potential risk losses, ensuring corporate risks are manageable, considering shareholder interests, creditor fund security, employee safety, and the risk-bearing capacity of insurance companies

2.3. Stakeholder theory and enterprise contract

Stakeholder theory is an important branch of enterprise contract theory, which emphasizes that enterprises should be governed by all stakeholders, not just shareholders or managers. Under the framework of enterprise contract, the stakeholder theory further clarifies the social responsibilities that enterprises should undertake, including but not limited to the economic responsibility to shareholders, the responsibility to employees' career development, the responsibility to consumers' product quality, the responsibility to protect the environment and the responsibility to contribute to the community. This theory urges enterprises to consider not only economic efficiency, but also fairness and justice when making contracts to ensure that the rights and interests of all stakeholders are respected and protected. Therefore, the combination of enterprise contract and stakeholder theory provides a theoretical basis for building a more harmonious and sustainable enterprise development model.

3. Analysis of EFM objectives of start-up enterprises

3.1. Characteristics and importance of EFM objectives of start-up enterprises

The EFM objectives of start-up enterprises are unique. Compared with mature enterprises, start-ups often face the problems of capital shortage, market uncertainty and high operational risk, so their EFM objectives must be flexible and changeable, and they can adapt to market changes quickly. The EFM of start-up enterprises is not only related to the survival of enterprises, but also directly affects their future growth and development. Reasonable EFM objectives can point out the direction for enterprises, help entrepreneurs make the best decisions under limited resources, and ensure the steady progress of enterprises. Clear EFM objectives can also motivate team members, improve overall work efficiency and execution, and lay a solid foundation for the long-term development of enterprises.

3.2. EFM goal setting of start-up enterprises based on enterprise contract theory

Enterprise contract theory holds that an enterprise is composed of a series of contractual relationships, which involve shareholders, creditors, employees, suppliers and other stakeholders. Under this theoretical framework, the EFM objectives of start-up enterprises need to consider the interests of all parties.

3.2.1. Analysis of profit maximization goal

Profit maximization is one of the most intuitive goals in EFM. For start-ups, the pursuit of profit maximization can quickly accumulate funds and provide power for enterprise expansion and research and development. However, this goal also has its limitations, which may lead enterprises to ignore long-term strategy and social responsibility, and even sacrifice long-term interests for short-term profits.

3.2.2. Analysis on the goal of maximizing shareholder wealth

The goal of maximizing shareholders' wealth emphasizes increasing shareholders' income by raising stock prices and increasing dividends. This goal helps to attract and retain investors, which is especially important for startups that need continuous financing. However, excessive pursuit of shareholders' interests may damage the rights and interests of other stakeholders and affect the sustainable development of enterprises.

3.2.3. Analysis on the goal of maximizing enterprise value

The goal of maximizing enterprise value not only considers the interests of shareholders, but also covers the interests of creditors, employees and customers. It emphasizes the maximization of long-term value by improving the overall competitiveness and market position of enterprises. This goal is relatively comprehensive, but it also requires enterprises to have a higher management level and strategic vision.

3.2.4. Target analysis of stakeholders' income maximization

The goal of maximizing the benefits of stakeholders is to pursue the common interests of all stakeholders on the basis of enterprise contract theory. This goal requires enterprises to fully consider the interests of all parties and achieve a win-win situation when formulating financial strategies. Although this goal is ideal in theory, in practice, enterprises need to have a high sense of social responsibility and coordination ability.

3.3. Relationship between EFM objectives and enterprise life cycle

EFM objectives are closely related to enterprise life cycle. In the initial stage of starting a business, enterprises may pay more attention to maximizing profits and shareholders' wealth in order to quickly accumulate funds and attract investors. With the development of enterprises entering the growth stage and maturity stage, the goal of maximizing enterprise value and stakeholders' income has gradually become dominant to maintain the long-term competitiveness and social reputation of enterprises. During the recession, enterprises may need to readjust their EFM objectives to meet the needs of market changes and enterprise transformation. Therefore, entrepreneurial enterprises should flexibly adjust their EFM objectives according to their own life cycle stages to ensure that enterprises can achieve steady development at different stages.

Table 2 Transformation and Achievements of EFM Objectives for a Startup Tech Company

EFM Objective Stage	Objective Description	Main Strategies	Achievements and Impacts
Initial Stage: Profit Maximization	Pursuing the highest profit in the short term	Developing cost-effective products to quickly capture the market	Achieve profitability and gain a foothold initially
		Strictly controlling costs to improve profit margins	Accumulating a certain amount of initial capital
Transition Stage: Enterprise Value Maximization	Focusing on long-term development and value creation	Increasing investment in R&D, innovating technology and products	Enhancing market competitiveness and establishing brand image
		Emphasizing talent cultivation and introduction, building a high-quality team	Improving overall operational efficiency and innovation capability
		Establishing close cooperative relationships with suppliers and customers	Stabilizing the supply chain and expanding market share
Growth Stage: Sustained Value Enhancement	Based on enterprise value maximization, achieving sustained and stable growth	Continuously optimizing product and service quality to meet customer needs	Attracting more investors and partners, broadening financing channels
		Strengthening brand building and market promotion, enhancing brand awareness	Expanding the scale of the enterprise and achieving rapid growth
		Deepening cooperation with suppliers and customers, forming a win-win ecosystem	Enhancing the enterprise's ability to resist risks and laying a foundation for long-term development

For example, Table 2 shows the transformation of EFM objectives of start-up technology companies in different development stages, as well as the corresponding strategic adjustments and achievements. From the pursuit of short-term profit maximization to the emphasis on long-term value creation of enterprises, and then to the realization of sustained and stable growth, each stage has its specific goals and strategies, which jointly promote the rapid development of enterprises.

4. Conclusions

This study deeply discusses the characteristics and importance of EFM objectives of start-up enterprises and their setting under different theoretical frameworks. By analyzing the goals of maximizing profits, maximizing shareholders' wealth, maximizing enterprise value and maximizing stakeholders' income, we find that each goal has its unique advantages and applicable scenarios, but there are also corresponding limitations. The research points out that when setting EFM goals, start-ups must comprehensively consider their own resources, market environment, life cycle stages and the needs of stakeholders. In addition, the study also emphasizes the close relationship between EFM objectives and long-term development strategy of enterprises, and the far-reaching influence of goal setting on enterprise growth and competitiveness. Future research can examine how external factors, such as macroeconomic environment, policies and regulations, market competition and so on, affect the setting and realization path of EFM objectives of entrepreneurial enterprises, so as to help enterprises better cope with external challenges and opportunities.

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