

# Analysis of Investment Decision of High-tech Enterprises in China

-- Take Xiaomi Technology Ltd. as an example

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**Abstract:** Since the reform and opening up, China's high-tech enterprises have been developing at an increasingly rapid pace and have now become an indispensable and important component of China's national economy. With the development of the current market economy, the capital market has been improved and scientific and technological innovation has rocketed upward. Beginning with high technology, knowledge and technology-intensive high-tech enterprises have been developing and gradually become the driving force and orientation of economic development. High-tech has also become an important symbol of the comprehensive economic strength and competitiveness of countries and regions. The banner of "developing high technology and realizing industrialization" provides policy support for the development of high-tech enterprises. At the same time, the development of knowledge economy and the improvement of capital market have strongly promoted the development of high-tech enterprises. In the current market competition, investment decision is the necessary prerequisite for the creation and accumulation of wealth to meet the sustainable development of enterprises; at the same time, investment decision is the source of maximizing enterprise value. For the development of a company, choosing the right small industry to finance is a very important thing. If the industry chosen or the newly developed company is not well managed resulting in serious economic losses, the investment will be accompanied by heavy losses for the investing company. From this point of view, the decision makers or the team of the company play a pivotal role in the development of the company. Not only for the future economic benefits of the company or for what kind of development path or whether the investment is reasonable have a particularly important role. This paper will take Xiaomi Technology Co., Ltd. as an example, focusing on the analysis of Xiaomi Technology's economic decision-making problems, through the analysis and solution of existing problems to promote the unification of the company's economic and social benefits, to achieve the purpose of improving the company's social competitiveness, and better in China's high-tech enterprises based.

**Keywords:** Enterprise, High-tech, Investment decision.

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## 1. Introduction

### 1.1. Background and significance of the study

#### 1.1.1. Research background

With the rapid development of the national economy and the continuous updating of information technology, many new high technologies are gradually developed and born, and this phenomenon is to a certain extent very closely related to the national economy. It can effectively improve the national economy and strength, and further promote the position of China among the global economic market. In the specific development process, decision-making is the most important part of the entire business activities, enterprises in the development process, not only need to further innovation of various scientific and technological achievements also need to further rational allocation of limited resources of enterprises, so as to be able to promote industrial upgrading. In the process of allocating resources, effective decision-making is needed, so in the fierce market environment can be reasonable investment is also a competitive advantage, this scientific and effective investment can further stabilize the position of enterprises in the market, in addition, can also promote the overall strength and level of enterprises. Therefore, for many enterprises, how to reasonably allocate limited resources in the development process is an important problem that needs to be solved.

#### 1.1.2. Research significance and value

In the process of development of high technology, many excellent resources are needed, first of all, there is a need for sufficient capital reserves, in addition to a large number of research and development capabilities, and in the specific financing process is relatively difficult, so for these limited funds, enterprises need to use a scientific and effective way to make decisions in the process of allocation. The final result will have a great impact on the scale and manner of financing and the allocation of various benefits, and will also play a very important role in the subsequent development of the enterprise. So far, with the continuous development of information technology, the technology of big data has been applied in various industries and has gained a lot of development. Therefore, enterprises need to seize this opportunity in the process of development, the key element of investment decision-making can, to a certain extent, win more benefits for enterprises, in addition to the current development of many problems and phenomena in the process of enterprise, can also play a certain role in alleviating and improving.

This paper focuses on a unique exploration of the theoretical and practical aspects of corporate investment decision making based on corporate investment analysis and decision making methods. This paper will start from the most basic enterprise investment analysis and decision making methods, and solve the problems that exist in the decision

making of various types of enterprise investment behavior in the current society. In this way, investment analysis methods can be applied flexibly in practice.

## **1.2. Review of relevant domestic and foreign research**

### **1.2.1. Foreign literature review**

Theoretical research on enterprise investment decision making is rich. Many experts and scholars study the investment decision problem of enterprises from different angles, and in the process of research also involves multiple fields. Many foreign enterprises make certain evaluation of the performance and efficiency in the specific investment process, and the content of this research is closely related to it. Woo argues that many foreign countries have been able to further promote enterprise reform, in part due to policy support; Sun H.B. argues that enterprises have certain uncertainties in the specific development planning process, and analyzes these factors as the main object of study; Kady also considers enterprise investment as the main object of study and analyzes its reliability. as the main research object to conduct an in-depth study on its reliability.

### **1.2.2. Domestic Literature Review**

Many domestic scholars have also made certain research results in this area. In the process of specific research, Han Lihong explored the evaluation of the effectiveness of enterprise investment, in which indicators were taken as the main elements to analyze the method, and the processing and calculation of various information data were also studied accordingly, and in the process of specific research, a set of comprehensive models for evaluating the effectiveness of investment was gradually formed. Gang-Yun Wei takes the three most commonly used methods of evaluating economic efficiency as the main research perspective, and studies the investment projects in terms of recovery benefits, specific life cycle, value and related efficiency from these three aspects, respectively. In the specific research process, Li Inguo et al. combine the two methods of subjective and objective empowerment, and through this way the relevant investment

The results obtained are more realistic and accurate. Wang Mei also takes the fuzzy attributes in the evaluation process as the main research object, and develops a set of scientific and effective evaluation scheme on this basis.

### **1.2.3. Literature Review**

In terms of the above literature, the above-mentioned research content is mainly explored from the theoretical aspect, but relatively little research content is analyzed through these entities in combination with specific cases. Therefore, these research results are only formal, but not really implemented, and their specific operability and practical effects need to be further explored. The domestic research results in this area are relatively weak, so the relevant theoretical content has not yet formed a more complete system. In addition, with the rapid growth of the national economy, in the process of continuous changes in the market, enterprises face a variety of problems and phenomena in investment decisions are more complex, so how to use a scientific and effective way to make investments, so that the results of investment is more just and can bring more benefits to enterprises, is the current need to consider and solve the problem.

## **2. Overview of Investment Decision Theory**

### **2.1. Brief description of investment decision**

The so-called investment decision refers to a series of investigation, research and analysis, a series of activities to make the final decision and choice. In this process, it can be divided into two different forms of decision making, macro and micro. First of all, the first type of decision-making needs to be viewed from the perspective of the national economy, in the process of economic development, the specific investment content, investment direction, related projects, the specific use of ways and means, the size of the investment scale, the internal structure system, and the market environment to make certain choices; the second type of decision-making is required to specific research and analysis as an important prerequisite for The second way of decision-making is to make a final choice and decision on the whole project project with specific research and analysis as important prerequisites. In this process will involve a wide range of content, including the project project content, time, location, specific size and operability, etc., the need to consider and judge these elements to further ensure that the final decision is reasonable.

### **2.2. The characteristics of investment decision**

#### **2.2.1. Target**

Investment decision should have a clear goal, if there is no clear investment objectives, there is no investment decision, and the decision that fails to achieve the investment goal is a failure.

#### **2.2.2. Reality**

Investment decision is the basis of investment action, investment decision is the core of modern investment management. The process of investment management is the process of "making a decision and executing it and making a decision again and executing it again" repeatedly. Therefore, it can be said that the investment and management activities of enterprises are carried out on the basis of investment decisions, and without correct investment decisions, there is no reasonable investment action.

#### **2.2.3. Meritocracy**

The investment decision and the concept of meritocracy go hand in hand, and the investment decision must provide several feasible options to achieve the investment goal, because the investment decision process is the process of judging and selecting the various investment options. A reasonable choice is a preferred choice. Preferred solution is not necessarily the best solution, but it should be the most satisfactory investment solution among many feasible investment solutions.

#### **2.2.4. Riskiness**

Risk is the possible future danger, investment decisions should take into account the various predictable or unpredictable changes that will occur in practice. Because the investment environment is rapidly changing, the occurrence of risk is contingent and objective and cannot be avoided, but people can not recognize the regularity of risk, based on past historical information and through the method of probability statistics, to make estimates of risk, so as to control and reduce risk.

### **3. Problems in the Investment Decision Process of Xiaomi Technology Co.**

In this paper, Xiaomi Technology Co., Ltd. is selected for analysis, and it can be found that there are many unfavorable factors for the development of Xiaomi Technology Co. These unfavorable factors are distributed in all aspects of the company, among which the choice and decision of the leader or the related team is particularly important. The slightest mistake can bring great losses to the company. This is why the company should be analyzed in terms of its development model, profitability and impact on society. Next we will analyze the disadvantages for the company.

#### **3.1. Uncertainty about the profitability of investment products**

According to statistics, from the second half of 2014 to the first half of 2015, the sales growth rate of the water purification industry is 80% higher than before. The top ten brands ranked behind are well-known quality products such as Midea and Qinyuan, and as can be seen from Table 1, their market shares are relatively stable compared to Xiaomi. In December 2016, Quan Lu 22%, the United States 13%, and the third Qin Yuan 11%. By August 2017, the market share was 11.7%, Qinyuan 9.7%, third, and Haier 7.9%, respectively. Xiaomi's market share in market share was low between 2014 and 2018, but showed an increase in 2019. Market share profile of selected brands of water purifiers

This shows that it is difficult for Xiaomi water purifier to gain a high and stable position in the smart home market. Although its low price strategy will be attractive to consumers, but this will not become a decisive factor for consumers to choose to buy Xiaomi water purifier. Therefore, the profitability of the company's investment products is unpredictable, and even causing losses is not known.

#### **3.2. Investment companies are easy to lose control**

According to the data, as of September 30, 2019, Xiaomi invested in more than 280 companies with a total book value of RMB 28.7 billion. Xiaomi invests and always runs into companies that are not highly relevant to its own products and technologies. For the invested companies, if Xiaomi does not fully understand the management, talent, technology, knowledge and other aspects

If the company does not fully and adequately understand, once the problem arises, it may have some impact on its own business. Xiaomi's investment philosophy is to "invest without holding, and hold shares in the team". Among the many eco-chain companies it has invested in, Xiaomi only takes a small stake, leaving the controlling stake to the founding team. Although this can boost the morale of the team to a great extent and make the team members more motivated, leaving the controlling stake to the founding team is also very risky. Although the shareholders' controlling power of the enterprise is not equal to the actual control, if the investor enterprise not only takes up less shares, but also lacks certain influence on the operation activities of the invested enterprise, the investment relationship will be in crisis when the development ideas of the two sides diverge, and the management philosophy and risk control of the invested enterprise cannot be integrated with the concept of the invested enterprise, or the invested enterprise is bent on

having its own way.

#### **3.3. Investment has resource integration problems**

Resource integration is a dynamic process. In this process, enterprises identify and select, draw and organically integrate resources from different sources, levels and contents, so as to make them more organized, systematic and valuable, and create new resources. For two enterprises from different fields and industries, their concepts in technology, corporate culture and business main direction will be different, and the integration will be more complicated.

Take Xiaomi's investment in Rufengda as an example. Before 2013, when Lei Jun had not yet started to lay out the ecological chain, Xiaomi started to use SF in logistics, and later invested in Rufengda, and then switched to using Rufengda. Rufengda was established in 2008, specializing in the last mile (door to door) B2C delivery business. Based on the understanding of the B2C market and B2C delivery of long-term research, continuous practice, under the premise of customer satisfaction as the highest standard, perfected with a unique

Self-styled business process with many personalized services, such as door-to-door pickup, door-to-door return and exchange, try-on and try-off, etc. Xiaomi's advantage, with a good reputation and solid rice flour, can provide a large number of orders for Rufengda; and Rufengda, with experience in B2C distribution, can provide high-quality direct-to-consumer logistics services for Xiaomi. However, in the process of cooperation, due to the overall cultural level of Rufengda's staff is not high, no strict logistics and distribution genes, as well as slow delivery, can not be delivered to the station and other shortcomings, there is a risk of customer complaints, and affect the user experience of Xiaomi, to the detriment of Xiaomi brand building.

According to the notice of the State Post Bureau on the postal industry consumer complaints in 2020, in January, the State Post Bureau and all provinces (autonomous regions and municipalities) Postal Administration through the "12305" postal industry consumer complaints phone and complaints website received a total of 71,076 consumer complaints. In February, a total of 40,930 consumer complaints were received, and 594 inquiries were answered. Complaints involving postal service issues 1147, accounting for 2.8% of the total number of complaints; involving express business issues 39,783, accounting for 97.2% of the total number of complaints. In the complaint problem, in January 2014, the top three were: express delay 47.3%, delivery service 25.3%, express loss and shortage 18.3%; February, express delay 40.2%, delivery service 33%, express loss and shortage 17.8%. And from Table 3 can be seen as wind up in the small courier enterprises in the courier complaint rate is also relatively high, and mainly concentrated in the delay and delivery service. For the enterprise, if it takes time to rectify Ru Fengda, it is also a long-term project. It can be seen that the integration of resources between enterprises is a long time grinding process, integration success and failure are possible. Successful, it is a win-win; failure, there will be adverse effects on both sides of the enterprise.

In a comprehensive view, Xiaomi investment enterprises, and other companies working together, two enterprises, each with its own resource advantages, such as market share, customer trust, company awareness, sales model, etc.. And for

cross-border investment, one of its important strategic directions is the integration of resource advantages between enterprises, whether for small start-ups or large, mature enterprises. Therefore, the solution of resource integration problem is a relatively big difficulty and opportunity for cross-border investment.

#### **4. Analysis of the Reasons for The Problems of Investment Decision of Xiaomi Technology Liability Co.**

##### **4.1. Investment in the enterprise product substitutes, the competition is large**

Xiaomi thermostatic hot water bag, for example, is one of them, the United States, Nepal and other well-known brands, are more mature products, the price is also relatively cheap. In stark contrast, in this regard, Michelin's thermostatic water heater is difficult to compete with it. As for the more domestic ones, for example, Xiao Ant Technology invested in a smart camera in 2015, a blood pressure monitor in Jiu'an Medical in 2018, an air purifier in 2015, and a large amount of money in Jiom Technology in 2015, all in the name of Xiaomi but extremely simple in design. Xiaomi and its ecosystem companies have nothing to gain from either a long history of branding or solid technological roots.

##### **4.2. Lack of inter-company connectivity and lax internal control systems in investee companies**

In various fields, it is difficult to form relationships just by capital, and the understanding of each other is not too deep. Therefore, they do not know the quality of the management, financial department, employees, and the internal control of the company they invest in. In our country, there are many problems with our internal corporate governance system. Accounting control is the management of the security of assets and materials, the truthfulness, integrity and legality of accounting information; operation control is to ensure the effective implementation of business policies and decisions, the economy, efficiency, effectiveness of business activities and the realization of business purposes.

From the current reality, the internal control system of many invested companies is not sound, and some of them not only do not really implement to every department and personnel of the company, but also do not even penetrate to all industries and systems of the enterprise. Such internal control is not only detrimental to the economic development of the company, but also may have loopholes in the internal control of the company, embezzlement of public funds, misappropriation of corporate funds, and lax business decisions. This situation will not only affect the operation of the company, but also affect the company's operation, and will put the company's operation into difficulties.

##### **4.3. The business of the invested enterprise is complicated, and the actual utility of the business is difficult to guarantee**

In the value chain of a company, a company can often only have a certain upper hand in a certain area. If a company has an advantage in a certain area, it will have an advantage in another area. If a company has an advantage in one area, it will be disadvantaged in another area, and this weakness may

be owned by other companies. At this point, each company should find the right partner for itself and play a good role in its own chain of interests in order to reduce costs. In order to obtain the best win-win benefits and increase economic benefits. The same applies to this one for Xiaomi. In Xiaomi's case, he did not rely on improving his technology to consolidate his market share as Huawei did; instead, he focused more on price advantage to win customers. In terms of research, he doesn't do much. Xiaomi has many industries, including education, finance, real estate, hotels, automobiles, transportation, etc. Each industry has its own characteristics. How to combine them with their own strengths to form a common interest for the large amount of money obtained through investment. In the supply chain of Xiaomi, logistics is a very important link. Before that, Vancl and Fengda Logistics, Vancl's own-brand distributors, had joined forces, but the two did not work well together. For example, Fengda, with the service tenet of "a good start, no end to the good", has spread to many big cities, and its distribution network has reached 1,594 all over the world. However, its effect in practice is not satisfactory.

#### **5. Countermeasures Proposed for The Problems of Xiaomi Technology Liability Company Limited**

##### **5.1. Increase the upgrading of products and enrich the product series**

The ecological chain companies invested by Xiaomi, to occupy a place in some existing more mature products, must constantly improve their products, constantly improve their products, constantly improve the appearance and quality of their products. For example, the company's Xiaomi water purifier, which was listed in 2014, is likely to be damaged during shipping because the packaging is too skimpy and it is not covered with protective foam film during shipping. This is not good for cultivating a solid consumer market. For customers, they will have a preconception that their brand reputation will greatly determine their purchasing power; secondly, it is the product delivery, packaging and after-sales service. From this point of view, it can be seen that an overall improvement of the company is necessary.

In addition, efforts should be made to develop new product lines, occupy the blank market and explore potential potential customers. Improve the market share. Wahaha, for example, launches various beverages such as pure water and mineral water to enhance its brand awareness. Xiaomi has a large range of inputs, which should be used more efficiently. For example, the company can improve the production process and introduce other household appliances with similar technology by responding to the market based on products such as rice cookers and kettles. Microwave, for example, is an approach that makes full use of the power of technology, while also expanding the company's market in household appliances and thus winning more customers. Of course, brand building also helps to improve the competitiveness of the product, and a good word of mouth helps to build the customer's impression of that product.

##### **5.2. Make a good risk assessment and pay attention to the investee company's movement**

In every investment relationship, the operating condition of

the investee company will affect the interests of the investing company. Therefore, the investing enterprise should strengthen the management of the invested enterprise, especially the internal control risk management. Enterprise investment has many risks, and the risk of internal control of the investee company after investment is one of them, so the investor needs to have a process of risk assessment of the internal control of the investee company. In this stage, the investor can use relevant professional assessment organizations and experts to evaluate the various types of risks of the investee company from a more professional perspective, so as to make corresponding comments and suggestions on its risk management of internal control. Be prepared for a psychological approach. Despite the existence of uncontrollable and unpredictable dangers, such as the wrong decisions of the leaders of the company, the leaders' thoughts are also taken into account in the evaluation of professional organizations. In this way, their casualties will be smaller.

In addition, positive and positive internal control of the company is crucial. A company's internal control system can unknowingly influence employees' thoughts and attitudes, thus changing their work attitudes and behaviors to some extent. An excellent corporate culture can give employees a sense of belonging and responsibility and make them recognize the company from the bottom of their hearts, thus fundamentally improving the company's operation and reducing business risks. Therefore, when conducting a comprehensive study of the internal control culture of the investee company, some inappropriate and incorrect cultures should be eliminated and some new cultural elements should be added so that a new and correct cultural atmosphere can be formed, thus enhancing the quality and effectiveness of their work. In addition, when making investments, it is important to notice the behavior of the investee company and attend certain events held by them at the right time. Get to know the situation of the relevant departments, such as the leadership and the quality of the employees, so that we can react quickly and reduce the risk in case of unexpected events.

### 5.3. Integrated management, interpenetration and emphasis on communication

The resistance caused by resource integration issues in the investment process should not be underestimated, and the company that understands this issue best and can deal with it in a timely manner will have a larger market share. In the process of collaborating to develop new products and services, each company must strengthen its overall management capabilities and plan carefully from all levels and aspects to ensure that all effective human and material resources are integrated if necessary. While making investments, it is also important to strengthen the coordination of technology, marketing, human resources, and management so that companies can integrate quickly and efficiently after the project is implemented and can make better use of their time. For example, in the joint venture with JiMi, JiMi has a systematic plan from product to marketing, so that JiMi can grow and innovate to meet the needs of consumers. This kind of management, the deployment of resources, is a real way for the company.

In addition, communication within the company is important. In all key aspects of investment, R&D, and production, major manufacturers should strengthen

communication and exchange, discuss in depth the problems that arise when integrating various resources, and provide multiple solutions. Minimize potential damages. On this basis, the institutional structure and personnel structure should be properly carried out, and duties and responsibilities should be properly distinguished to prevent one employee from holding multiple positions and having unbalanced power and responsibilities; by effectively supplementing and integrating the company's culture and superior resources to achieve the best efficiency of utilization and achieve the best results. Just as Xiaomi should think carefully when selecting a logistics company, if the two are merged, will it produce the effect of "1+1"2, if not, it is meaningless. In addition, when choosing an investment target, we should take into account its operating characteristics, industry positioning and other factors of interest, as well as a careful selection of our own capital strength and technology. Do not follow blindly, do not follow blindly.

## 6. Conclusion

In this article, we have analyzed the problems of Xiaomi Technology Co., Ltd. in the process of its development and made important statements on strategic investment decisions. Although Xiaomi Technology Co., Ltd. occupies a very important position in our country, it does not mean that it is smooth in its development process. According to the article, the company's primary consideration when deciding who to invest in is whether their capital is in question and whether the prospects for development are favorable to the company's development. In the table we analyzed above, we can find that Xiaomi Technology Co., Ltd. has made mistakes in the rational use of funds and has faced the phenomenon of borrowing more than economic benefits. All these require this company to make correct, reasonable and scientific decisions, and only if the choice is correct, then the company's development path will be smoother.

The main direction of creation of Xiaomi Technology Ltd. is in the area of cell phones or computers with high technology, etc. In modern society, consumer demand is growing, and the state holds a supportive attitude towards this kind of industry. If the company can continue to innovate according to the development of the times, it will create greater economic benefits, which will also help to unify economic and social benefits. Due to the author's limited level, there are many shortcomings in the analysis of the problem. More in-depth research is needed for this aspect of corporate decision making.

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