

# Risks and Countermeasures of Small and Medium-sized Enterprises in International Business Work

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## Abstract

**Business work involves all aspects of an enterprise's value chain process. As many Chinese enterprises respond to the country's call to "go global", more and more small and Medium-sized enterprises have gradually increased international economic cooperation. Against the background of the economic situation and the global new crown epidemic, how to avoid and control the risks faced by enterprises from the perspective of business work is the focus of small and Medium-sized enterprises. From the perspective of international business operation practice, this paper analyzes the risks faced by enterprises in the process of international economic cooperation, and proposes measures to deal with and control risks for reference.**

## Keywords

**Small and Medium-sized Enterprises; International Business; Risk; Control.**

## 1. Introduction

With the implementation and advancement of the country's "going out" strategy and the "Belt and Road" initiative, more and more enterprises are participating in international economic cooperation, international trade and other transnational business activities. Small and Medium-sized enterprises are an important part of my country's socialist market economy. Different from the foreign direct investment of large enterprises, small and Medium-sized enterprises focus more on the export and trade of products and services. In addition to the unstable political situation in the host country of trade or cooperation projects and the force majeure risks such as the new crown epidemic, how to avoid related risks based on the management and control of business functions is an issue that needs attention. Based on the practical experience in international trade of IT products and service business, this paper proposes measures to deal with and control the risks of business work based on the risks encountered in business dealings with customers in many countries in Central Asia, the Middle East, Asia-Pacific and Africa. Promote the international business work of small and Medium-sized enterprises, and prosper my country's socialist market economy.

## 2. The Connotation of International Business

Commerce, in a broad sense, refers to all commercial affairs related to the buying and selling of goods and services. Business activities refer to the general term for all kinds of activities related to resources, knowledge, and information transactions that enterprises engage in for the purpose of production and operation. In international business, business work runs through the entire business activity.[1]

From the perspective of the macro environment faced by enterprises, enterprises engaged in international business need to analyze the macro environment of the host country, including the political, economic, social, technological, ecological and legal aspects of the host country. First of all, the customs policy of the host country has the greatest impact on international trade. In response to the product demand put forward by the host country's customers, it is necessary

to timely understand the import restrictions or import requirements of the host country's customs for the product. For example, a country in Southeast Asia stipulates that the construction of IT systems in the energy industry controlled by the state can only be undertaken by enterprises in the host country[2]. After understanding the policy in advance, unnecessary investment in business work can be avoided. Secondly, the most influential factor is the host country's levy of non-resident corporate income tax. Generally, international trade in goods needs to pay import taxes according to chapters, and some host country corporate customers are eligible for tax exemption. The proportion of non-resident corporate income tax paid in international service trade projects is relatively high, and the non-resident corporate income tax rates in Central Asia such as Turkmenistan, Kazakhstan and other countries are 15% and 20% respectively. Central African countries have tax rates of 16%, 20%, 25%, etc., and some countries in South America levy non-resident corporate income tax rates as high as 33%. Finally, in recent years, when many small and Medium-sized enterprises in China use companies registered in Hong Kong, the United Arab Emirates, Dubai and other places as the subject of commercial contracts, the tax authority of the host country will check whether such contracts are suspected of tax avoidance, and may face heavier taxation by the host country. tax. To sum up, international business work needs to analyze the macro environment, help enterprises to rationally plan business transaction models, contract signing entities, and bring higher comprehensive benefits to enterprises as much as possible.[3]

From the perspective of the micro-environment faced by the enterprise, the value chain analysis is carried out according to the content of the main activity, and the enterprise operation is divided into the main activity and the auxiliary activity. The main activity refers to the substantive activities of the production and operation of the enterprise, which are generally divided into five activities: raw material supply, production and processing, finished product storage and transportation, marketing and after-sales service. Business work runs through all aspects of the main activities of the internal value chain of the enterprise. For example, in terms of raw material supply, business personnel need to negotiate with suppliers to control the cost and price of procurement; in terms of production and processing, business personnel need to understand the production progress of products and pay attention to the problems involved in the production process; in terms of finished product storage and transportation, arrange the transportation of goods.[4] Logistics work; in terms of marketing, assist sales staff to calculate quotations and sign contracts; in terms of after-sales service, coordinate internal and external resources to obtain higher customer satisfaction.

### **3. Risks of Working in International Business**

In the process of participating in international market competition, Chinese enterprises are roughly the same as domestic market activities in terms of process and process. However, due to their participation in international market competition, they are different from the relatively simple and stable domestic market environment. Combined with the characteristics of host countries, market behaviors are Very big difference. The following is an analysis of the business risks faced in the process of engaging in international business in the order of the end-to-end process of international business market activities.

#### **3.1. International Business Bidding**

In order to enter the international market, general enterprises need to participate in the bidding of international projects under the state of perfect competition (the international bidding mentioned here includes inquiry and review in international trade transactions, which is regarded as a simplified method in international bidding) .[5] The specific channels for obtaining bidding information are as follows: First, customers in the host country will publicize the bidding information on the local government's bidding website. Second, global customers

will manage suppliers through the international supplier registration management system and actively push bidding information for related businesses. The third is to join the international procurement trading platform, and customers will take the initiative to contact. The fourth is to complete the customer's supplier qualification review through customer or partner recommendation, etc., and enter the customer's self-built bidding management system. The bidding stage is the source of preventing commercial risks in international business, so all efforts should be devoted to the response to the bidding documents. Among them, the main risks encountered are: insufficient understanding of the scope of work and service content of the bidding, responding to the needs of customers; not paying attention to the analysis of other documents in the bidding documents, such as contract templates, once no objection is raised in the bidding stage, the customer will All terms are deemed to be accepted.[6] In addition, the implicit cost is not fully considered. For example, if the customer proposes to include spare parts for 1 or 2 years in the product description, and the time limit for the product warranty period, etc., there will be potential risks if you do not answer carefully.

### **3.2. Signing of Commercial Contracts**

The international market attaches great importance to the implementation of projects in accordance with the terms of the contract. The above-mentioned international bidding risks mentioned that if there is no objection to the contract text at this stage, the contract will be fully performed in accordance with the contract terms at the stage of signing the commercial contract after winning the bid. [7]Therefore, it is necessary to check again after winning the bid. Whether the content of the contract text provided by the customer is consistent with the text of our bidding. In actual work, if the contract sent to us by the customer is not prepared according to the equipment list promised by us at the time of bidding, and the contract is not discovered in time and directly signed, it will cause incalculable risks to the subsequent project execution.[8]

### **3.3. Signing of Commercial Contracts**

International contract performance means that the enterprise allocates the corresponding human, financial, material and other resources to complete the terms agreed in the contract, provides corresponding products and services, and finally completes the contract collection according to the contract payment terms. Among them, the business work involved mainly includes the preparation of international procurement, international freight and related documents.

First, in terms of international procurement : in the process of engaging in international business, in addition to the export of domestic services and trade, it also involves procurement from foreign countries or host countries. Due to resource constraints, international procurement faces some difficulties or risks. First, legal risk, involving the procurement of internationally renowned professional software, the regional protection policy is very complete and mature, and the products are limited by the sales area. If the procurement is not carried out according to the requirements, it will face legal risks. Second, the risk of differentiation. [9]If the model of the domestic product is provided at the time of bidding, the cost control is considered in the project execution stage. If you want to purchase from abroad, you will face the situation that the domestic and foreign models of the same product are different, and the delivered product does not conform to the contract. Regulations need to be chosen carefully. Third, capital risk. In terms of payment, it is difficult to negotiate payment terms with international suppliers. The level of trust between the two parties is low, and suppliers usually do not provide credit terms. Fourth, the supply cycle risk, once the contract is signed, it must be strictly implemented according to the time promised to the customer. In terms of trade activities, the promised delivery must be completed within the time agreed in the contract.

Second, in terms of international freight : international freight is an important aspect of international business activities, and it will face various problems in actual business. Although the risk of loss of goods can be resolved through insurance, and the division of ownership and costs of goods can be agreed through trade terms, other business risks need to be paid attention to in business operations. In terms of transportation cost accounting, there will be unexpected increases in the prices of air, sea, and land transportation. For example, due to the impact of rising international oil prices, or when the warehouse is full in a certain period of time, the price will rise. Under normal circumstances, when companies participate in international market bidding, if the cost accounting considers too many risks, the probability of winning the bid will be reduced. The transaction and cooperation partners of SMEs are often in relatively backward developing or underdeveloped countries, and even political turmoil, the risk of freight is closely related to the host country's customs policy. If there is a sudden change in the host country's customs policy on an imported product, resulting in the goods not being imported as planned, on the one hand, the cost of the enterprise will increase, and on the other hand, the delivery schedule will be delayed, delaying the delivery time of the contract. In 2020, the new crown epidemic will have a great impact on the international transportation industry. Flights are fused, and a large number of staff can only work remotely and cannot operate on-site. The choice of international freight routes will have a great impact on the smooth delivery of the project. For example, the original plan of direct air transportation Flights have been delayed indefinitely due to lockdown policies in some countries.

The third risk in other aspects : the risks in other aspects are mainly related to documents. For example, participation in customer bidding involves the handling of letter of guarantee, including bid guarantee letter, performance guarantee letter and quality guarantee letter. Communication costs and expenses in the process of letter of guarantee need to be considered. in the project cost. During the collection process of the letter of credit, special attention should be paid to the requirements for the documents listed in the letter of credit. The bank will generate corresponding deductions when reviewing the discrepancies. The deduction is irreversible. The customs codes of some host countries and China The customs code is universal. If it involves exporting to such a country, it is necessary to ensure the consistency of the goods code of the export declaration documents and the import customs clearance documents, otherwise the contract payment cannot be received according to the letter of credit. Regarding the risk of handling tax certificates for resident enterprises, some countries can provide preferential tax policies according to bilateral trade agreements, but they need to issue tax certificates for resident enterprises. The time limit and cost of handling the certificates need to be considered. Increased cost of capital.

#### **4. International Business Operational Risk Management Measures**

Risk management refers to the management process of how to minimize the adverse effects of risks in a project or enterprise in a certain risk environment. Although there are many risks involved in international business, it still cannot stop Chinese companies from entering the international market. Compared with the pioneers of Chinese enterprises "going out", the current enterprises are already standing on the shoulders of giants, with the country as a strong and solid backing, and the valuable experience accumulated by their predecessors. In the actual operation of international business, the risk can be minimized by taking appropriate measures to control it.

##### **4.1. Strengthen the Management System of International Business Operations Within the Enterprise**

Establish the management system and process of each business link in the entire international business cycle of the enterprise, from the establishment of the business model in the early stage,

to the end-to-end management system of sales, bidding, procurement, logistics, project management, and payment collection, to avoid the lack of information, which is beneficial to the host country project accumulation of experience. In terms of professional talents, adhering to the concept of professionals engaging in professional work, attracting high-end business talents with international vision and proficient in the language of the host country; in terms of international bidding, both professional business knowledge and precise language grasping ability. When conditions permit, dispatch business personnel to the host country to obtain more information, avoid working behind closed doors, or recruit professionals who are familiar with related businesses in the host country. In addition to business talents, legal professionals should also be equipped to control the legal risks faced by contract terms, or cooperate with local law firms to more accurately grasp legal-related policies. In terms of the company's document control management, it strengthened the accumulation of the standard terms of the bidding documents of the host country customers and the summary of the countermeasures, and established a bidding template library and a contract template library. Pay attention to the collection and accumulation of documents in the bidding process, including the clarification documents sent by the customer and our documents for the clarification reply. Process management, strengthen the management of the approval process in the project operation process, establish a hierarchical authorization and approval system, clear division of labor, cross-examination, and establish a scientific and reasonable management and control process for major project bidding decisions.

#### **4.2. Establish an Integrated Cooperative Alliance**

Strengthen the establishment of good cooperative relations with partners, establish long-term cooperative credit relations with the enterprise ecosystem, sign framework cooperation agreements, take advantage of centralized procurement, and reduce management costs in procurement. It is very important for the company to have a good reputation and establish a good cooperative relationship with its suppliers to pay the corresponding payments on time according to the contract. Enterprises should expand their purchase channels in terms of international procurement. For example, international software can only be purchased from dealers within the authorized scope of the region. You can find the list of authorized dealers in the project location through the official website. suitable supplier. In terms of payments to international suppliers, we should reduce the proportion of advance payments to reduce our risk. At the same time, in the stage of contract execution with international suppliers, payment must be completed according to the payment time stipulated in the contract, and it cannot be delayed arbitrarily. Usually, the buyer is Party A, the supplier is Party B, and Party A occupies a dominant and dominant position. However, in front of internationally renowned companies, the qualifications of the buyer Party A will be strictly reviewed, and the transaction will even be refused.

#### **4.3. Pay Attention to Flexible Responses during Project Execution**

The biggest advantage of small and Medium-sized enterprises is that the boat is small and easy to turn around. During the implementation of international projects, there are some sudden changes. They can analyze the problems in time and re-select the plan to adapt to the new situation. For example, in the case of the global spread of the new crown epidemic, the international transportation route initially set by the project is a direct air route. However, in the event of a flight interruption and uncertain navigation time, the company cannot wait indefinitely and should fully consider alternative routes. , and actively develop transportation channels and solutions. Even if the multimodal transportation method of sea and land transportation is used to transit to multiple countries, compared with waiting indefinitely, the overall transportation cost may be reduced in the end. In addition, matters involving international procurement should be cautious. At present, the new crown epidemic is

effectively controlled in China, and various economic activities have basically returned to normal. Even if there are sporadic epidemics, they will be quickly controlled. Therefore, the cycle of domestic product production and supply is very stable. , can not only be considered from the perspective of procurement cost, but also need to comprehensively consider the extended delivery cycle, violate the contract terms, affect the customer's operation and production, and may be included in the customer blacklist in severe cases, and the customer's market will be lost forever.

#### 4.4. Risk Transfer by Means of Financial Instruments

Enterprises engaged in export trade can insure China's policy insurance company for export credit insurance business to avoid possible commercial and political risks. Commercial risks can cover the bankruptcy or insolvency of the buyer, the buyer defaults on the payment, the buyer refuses to accept the goods, etc.; political risks cover the buyer or the issuing bank's country or region prohibiting or restricting the buyer or the issuing bank from paying the insured. Payment or credit Warranty payments, war risks, etc. According to the situation of the enterprise itself or a single project, choose the insurance amount to avoid the corresponding commercial and political risks.

### 5. Conclusion

In today's global economic integration, we advocate the concept of a community with a shared future for mankind. China's economic development occupies an important position in the world. Small and Medium-sized enterprises are an important part of the socialist market economy. International business personnel should strengthen their own learning. Improve cognitive level and innovative thinking, help enterprises avoid various risks faced by international business from a more professional, market-oriented and global perspective, and allow enterprises to contribute Made in China, Chinese wisdom and Chinese solutions on a larger stage.

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