

# Analysis on the Management Mode of Constructing the Risk Control System of State-owned Enterprises' Foreign Investment

Ruimeng Yang, Jun Wu, Jinhong Hui, Xinyu Kan

Anhui University of Finance and Economics, Bengbu, 233030, China

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**Abstract:** With the continuous development of the current national economy, the number of foreign investment projects of state-owned enterprises has gradually increased. However, due to the influence of various external factors, the foreign investment environment is relatively complicated, and the state-owned enterprises are faced with relatively many risk problems. Based on the actual situation, this paper analyzes the necessity of constructing the risk control system of state-owned enterprises' overseas investment, and discusses the common risks of state-owned enterprises' overseas investment from three aspects: investment environment, money and finance, and investment methods. Finally, it studies in detail the management mode of the risk control system and the effective management measures to strengthen the risk control of overseas investment.

**Keywords:** State-owned enterprises, Foreign investment, Risk control, Management mode.

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## 1. Introduction

Based on the actual needs of the current development of state-owned enterprises, foreign investment has become one of the important ways for them to continuously promote their own development and enhance their own economic benefits. Therefore, in order to ensure the safety of state-owned enterprises in the process of foreign investment, ensure that the corresponding work can be completed with good quality and quantity in the actual foreign investment process, and reasonably prevent or avoid the corresponding risk problems, it is necessary to pay more attention to the construction of foreign investment risk control system.

## 2. The Necessity of Building a Risk Control System for Foreign Investment of State-owned Enterprises

### 2.1. Requirements of laws and regulations

In recent years, with the development of China's economy, the number of foreign investment projects of state-owned enterprises has gradually increased. In order to further strengthen the management of foreign investment of state-owned enterprises, China's relevant laws and regulations have made clear requirements for internal risk control of enterprises. In order to further ensure the safety and integrity of the internal assets of state-owned enterprises and promote the realization of the production and operation objectives of state-owned enterprises, it is necessary to standardize the internal management of enterprises in strict accordance with the relevant national laws and regulations and the corresponding policy requirements, and establish a corresponding risk control system in combination with the actual situation, so as to solve the problems of loose management, disorderly investment and frequent risk problems in the process of foreign investment of state-owned enterprises, and strengthen the level of enterprise risk control.

### 2.2. To ensure the safety of funds

As for the state-owned enterprises' foreign investment, due to the complicated market environment, there are relatively many risk problems in the actual foreign investment process, which seriously threaten the security of state-owned enterprises' own funds. Therefore, by constructing the risk control system of foreign investment, we can realize the in-depth audit and research and analysis of foreign investment projects, further guarantee the reliability and feasibility of investment, and ensure the safety of enterprise funds.

### 2.3. Solve investment problems

In the actual process of foreign investment, state-owned enterprises are not only faced with various environmental risks, but also have certain risk problems within the enterprises, for example, investors are not in place, the corresponding property rights are not clearly defined, and the implementation of relevant regulatory responsibilities is poor. This will not only increase the risk of comprehensive operation of enterprises, but also cause problems in investment decision-making and fund management, which will seriously affect the quality and efficiency of state-owned enterprises' foreign investment operation, and even lead to the break of capital chain and unreasonable investment decisions. Therefore, it is necessary to establish a risk control system, further strengthen the internal management level of enterprises, and realize effective control and accurate prevention of investment risks [1].

## 3. Common Foreign Investment Risks of State-owned Enterprises

### 3.1. Investment environment

The risk caused by the investment environment has great influence on the foreign investment of state-owned enterprises. China's state-owned enterprises are faced with a relatively large number of countries in the actual process of foreign investment, and the current world economic environment is relatively complicated. There are certain

differences in the actual development, economic development and actual systems of different countries and regions, which bring great influence and risks to the actual foreign investment [2]. Therefore, in the actual process of foreign investment, we should strengthen the research and attention on the corresponding investment environment, laws, regulations, policies and systems, and fully understand the latest information related to the current investment environment, so as to provide a reliable reference basis for subsequent risk analysis and investment decisions, so as to avoid investment failure and even bring serious economic losses to enterprises.

### **3.2. Monetary finance**

Financial risk mainly refers to the fact that in the actual process of foreign investment, there are certain differences and risks in monetary policies, currency exchange and exchange rates among different countries, and with the changes of time and market, the corresponding exchange rates will fluctuate obviously, which is unpredictable. In the actual process of investment by state-owned enterprises, if they are careless, they may face currency risks caused by multiple exchange rate changes, which will bring serious economic losses to state-owned enterprises [3].

### **3.3. Investment methods**

The investment mode will also bring certain risks to the foreign investment of state-owned enterprises. As far as most state-owned enterprises are concerned, they usually adopt the way of M&A, which can help the invested enterprises obtain corresponding economic strength and promote the economic development of enterprises to a great extent, but at the same time, it will also bring great impact to the actual operation and production of the corresponding enterprises. In this process, if we can't cope with the impact and impact, it may affect the economic development of the host country. Therefore, usually in the process of state-owned enterprises' foreign investment, the host country will restrict the state-owned enterprises' foreign investment from the aspects of government or corresponding policies and measures, and put forward corresponding requirements, which also increases the risk of foreign investment to a certain extent [4].

## **4. Composition of Management Mode of Risk Control System**

### **4.1. Decision-making management**

In the process of foreign investment risk control, in order to ensure the comprehensiveness and effectiveness of risk control management, it is necessary to strengthen the risk prevention and control of state-owned enterprises' foreign investment decisions from the decision-making link, so as to solve the problems of arbitrary investment decisions and high risks in the traditional state-owned enterprises' foreign investment process. With the help of the corresponding check and balance mechanism, the internal power of state-owned enterprises can be supervised and managed, the rational and legal allocation of power can be further ensured, and a good guarantee can be provided for the rationality and scientificity of subsequent investment decisions. The main contents of decision-making management include the following aspects: First, improve the corporate governance structure to ensure that the decision-making layer and the executive layer in the enterprise organization can be independent of each other;

Secondly, standardize the secondary decision-making system among state-owned enterprises; Finally, improve the corresponding supervision and management institutions, give full play to the decision-making power and supervision power of relevant institutions, and ensure the separation of the two powers to ensure the effectiveness of the corresponding supervision and management work [5].

### **4.2. Special control**

In order to further guarantee the effectiveness of decision-making management and ensure that relevant decisions can be implemented, it is necessary to pay more attention to special control, realize the risk control of all links in the process of foreign investment, and promote the corresponding decision-making system and strategies to be reflected in the actual management activities. It can be said that special control is not only the main extension of decision-making management, but also the important support of decision-making system, which directly affects the implementation and operation effect of decision-making system. Special control mainly includes the following aspects: First, the establishment of financial settlement center and bill management center can further strengthen the monitoring of state-owned enterprises' foreign investment and enhance the risk control level and ability of enterprises; Secondly, according to the actual situation of the enterprise, compile the internal control manual to ensure the effective implementation of the internal control management, strengthen the attention to the internal control management of the enterprise, and constantly improve the relevant management rules according to the development status of the enterprise and the corresponding foreign investment; Third, do a good job in overall budget management, and constantly improve the ability and level of budget management, preparation, implementation and control; Fourthly, strengthen the control over the quality of financial information and financial reports to ensure that the information is true and reliable; Fifth, strengthen the control of state-owned assets, standardize the corresponding asset management procedures, and ensure asset security; Sixth, establish the corresponding accountability system, strengthen the management of various professions, ensure the clear division of responsibilities, and supervise the effective implementation of management [6].

### **4.3. Monitoring system**

Monitoring system is an important part of the risk control management system model of state-owned enterprises' foreign investment. In order to ensure the effectiveness and pertinence of the corresponding monitoring work, in the process of constructing the risk monitoring system, we should pay attention to the following key points: First, formulate the corresponding regulatory rules according to the actual situation to ensure the orderly progress of the supervision work; Secondly, in the process of internal risk control, the control of key nodes should be strengthened; Third, build a good internal control network system to ensure the coverage of the internal control network; Fourthly, strengthen supervision to ensure that the corresponding risk problems can be found in time and effective measures can be taken.

### **4.4. Incentive mechanism**

Incentive mechanism is an important factor that affects the risk control effect of state-owned enterprises' foreign investment. It can effectively improve the internal

management level of enterprises and ensure the effect of internal control and supervision. It plays an important role in promoting managers, risk control and employees. The main contents of the incentive mechanism include the following three aspects: First, according to the actual situation, establish the corresponding performance appraisal management system, so as to realize the effective constraint on the business operators and employees; Secondly, establish the corresponding incentive system, so as to ensure that the enterprise managers, relevant managers and staff can be effectively motivated, and ensure the scientificity and rationality of incentive strategies and methods; Third, it is also necessary to establish corresponding incentive mechanism for special talents of enterprises, so as to guarantee the comprehensive coverage of the incentive system and ensure its effective play [7].

## **5. Effective Management Measures to Strengthen the Risk Control of Foreign Investment**

### **5.1. Clear responsibilities of management department**

In order to further improve the risk control level of state-owned enterprises' foreign investment and ensure that the role of state-owned enterprises' foreign investment risk control system is fully exerted, it is necessary to define the actual responsibilities of various institutions and departments within the enterprise before making foreign investment, so as to ensure that different departments can perform their duties in the process of subsequent project investment and ensure the quality and effect of investment risk control. First, state-owned enterprises should, according to the corresponding budget management principles, require all units to formulate annual investment plans at the beginning of the year in light of their own actual development situation, and file them with the state-owned enterprise management department, financial department and investment risk control department, etc., so as to do a good job in preparing for the preliminary budget management. Second, the corresponding responsible unit of the investment project shall be responsible for the approval of the project, study the feasibility of the project, and be responsible for the specific implementation of the project and the corresponding post-investment management. Third, the risk control committee of the group should evaluate the risk management of the project before it is invested, and give corresponding evaluation opinions, so as to provide a reliable reference for the subsequent project investment decision [8]. Fourthly, the audit department, that is, the investment risk control department, is mainly responsible for the corresponding risk control in the process of project investment implementation, and doing a good job in post supervision, ensuring the scientificity and rationality of the corresponding investment management system, ensuring the corresponding business process specification, and ensuring the smooth implementation of foreign investment.

### **5.2. Determine the investment decision-making procedures**

The decision-making of state-owned enterprises' foreign investment is an important part of risk control, so it is necessary to clarify the investment decision-making procedures and ensure that related work can be carried out

step by step. The decision-making procedure of state-owned enterprises' foreign investment mainly includes the following four links.

First, the responsible unit of the project shall prepare the feasibility study report of the investment project according to the standard requirements, and submit it to the enterprise management department. Then the enterprise management department shall check and audit the feasibility report to ensure that its contents are comprehensive and complete. If the report contents are incomplete, the responsible unit shall be required to improve it within the prescribed time limit.

Second, submit the feasibility study report to the relevant management department of the enterprise for preliminary examination, and form the corresponding opinion report, and then submit it to the enterprise risk control committee for further review. At the same time, the corresponding responsible unit will make the project feasibility study report, which will be reviewed by the risk control committee, and the corresponding review opinions will be formed, and the whole review process will be recorded and archived.

Thirdly, according to the actual situation of state-owned enterprises, formulate corresponding decision-making methods for projects with different investment amounts. Taking a newspaper group company as an example, the group company should make decisions when the single investment amount is higher than 5 million yuan, and report to the group company for filing when the investment amount is less than 5 million yuan. For the projects that have been reviewed and approved by the Risk Control Committee, it is also necessary to make approval decisions by the office meeting of the general manager of the company, the party group meeting of the group company and the board meeting in turn.

Fourthly, the shareholders' representatives and directors should monitor the corresponding investment activities for the foreign investment decisions of the holding subsidiaries of the group company. The single investment amount of the first-class enterprises of the holding subsidiaries is more than 10 million yuan, and the single investment amount of the second-class and third-class enterprises of the holding subsidiaries is more than 5 million yuan, all of which need to be reported to the Party Committee and the Board of Directors of the group company by the relevant accredited personnel for deliberation, and other investment projects should be reported to the group company for filing. And ensure that the relevant stationed personnel can perform their duties in strict accordance with the relevant norms, and do a good job in risk control and project supervision.

### **5.3. Strictly control investment projects**

Investment control is an important part of investment risk control. The investment in bad projects not only seriously affects the development of enterprises, but also threatens the security of state-owned assets. Therefore, it is necessary to strictly check the investment projects. State-owned enterprises can also, in light of their own actual situation, set up corresponding supervision lists of investment projects, and explicitly prohibit investment projects, so as to provide a clear reference basis and corresponding project screening standards for subordinate units and ensure the effective control of investment projects. Take a newspaper group company as an example, the supervision list of the group's investment projects mainly includes the following two parts: prohibited projects and supervised projects. Among them, prohibited projects refer to those that cannot be invested, for example,

investment projects listed in eliminated and restricted categories in the national industrial structure adjustment catalogue, and new loan investment projects of enterprises that damage resources, pollute the environment and have high debt risks. Supervised investment projects refer to projects that need to be submitted to relevant departments for deliberation and decision-making before investment, for example, investment projects that acquire state-owned shares or increase capital to state-owned enterprises, overseas investment projects with a single investment less than 20% of the net assets in the consolidated statement of the previous year, etc. Through strict control, consideration and analysis of investment projects, the reliability of investment in corresponding projects is ensured, and investment risks are further reduced [9].

#### **5.4. Feasibility study of investment projects**

Project feasibility study is an important part of risk control and management in the process of state-owned enterprises' foreign investment. It mainly evaluates and analyzes the income of investment projects and the corresponding risk problems, and then forms a project feasibility report. In order to ensure the accuracy and reliability of the project feasibility report, the project responsible person must conduct on-the-spot investigation of the project in advance, make corresponding investigation work, conduct detailed investigation and analysis on possible risk problems, and, if necessary, entrust a third party to participate in the preliminary investigation and project evaluation process, so as to ensure the comprehensiveness and accuracy of the project feasibility analysis and the reliability and rationality of the evaluation report [10]. In order to ensure the quality of the feasibility assessment report of investment projects, it is necessary to ensure that the corresponding contents are clearly written, the main points are clear and focused, and the feasibility study report should at least include the following contents: first, clarify the necessity of project construction and the corresponding basis; Second, do a good job in market analysis and forecasting to ensure that the forecast content is reasonable and the forecast results have high reliability; Thirdly, estimate the investment scale of the project according to the actual situation; Fourthly, the feasibility analysis report also needs to clarify the project operation mode and the specific implementation plan; Fifth, make clear the financing methods and corresponding schemes; Sixth, make financial evaluation and analyze the corresponding operating benefits; Seventh, analyze and evaluate the project environment and social impact; Eighth, analyze the investment risk of the project in detail, and reveal the relevant policies; Ninth, make clear the research conclusions and suggestions.

#### **5.5. Project investment tracking management**

In order to strengthen the risk control effect of state-owned enterprises' foreign investment, after the actual project investment, the enterprise investment risk control department needs to track and manage the situation after the project investment, regularly or irregularly supervise and inspect the implementation of the project, and issue corresponding inspection and evaluation reports, and report to the group party group. In the actual process of project investment tracking management, if the rights and interests of enterprises in investment projects change, or the corresponding investment projects suffer financial losses, they should report to the leaders of relevant party groups in time to ensure that

enterprises can know the actual situation of investment projects in time, and strengthen the control and supervision of investment projects, so as to reduce the investment risks of projects.

#### **5.6. Accountability for illegal investment**

In order to ensure the effect of risk management and control of foreign investment, it is necessary to strengthen the investigation of illegal investment responsibility and establish a clear investigation system, so as to enhance the responsibility consciousness of the project units and relevant responsible persons, and ensure that relevant feasibility study reports, investigation work and corresponding project management work can be effectively implemented and executed [11]. In this regard, the project responsible unit and the corresponding responsible person must ensure that the preliminary investigation work is detailed, true, reliable and complete, and ensure the quality of the feasibility study report. If the state-owned enterprise fails to invest due to the problems of relevant data and information provided by the project responsible unit or the improper interest relationship with the investee, and thus causes corresponding losses, the project responsible unit and the responsible person shall bear corresponding responsibilities. Common violations of regulations require accountability, including the following: first, unauthorized investment in violation of relevant decision-making procedures; Second, the leakage of investment information by relevant staff has caused losses to state-owned enterprises; Third, in order to avoid the examination and approval supervision of state-owned enterprises, the investment projects are broken up into parts, so as to reduce the amount of individual investment; Fourthly, for whatever reason, it leads to the loss of state-owned assets, or violates the relevant regulations of state-owned enterprises, and then illegally obtains relevant benefits; Fifth, failure to comply with the relevant administrative regulations of the provincial and municipal competent departments or state-owned enterprises, causing adverse effects on the investment management of enterprises, or being informed criticism by the provincial and municipal competent departments; Sixth, other serious violations of the investment management system [12].

### **6. Conclusion**

In the process of state-owned enterprises' foreign investment, the risk control system is not only to meet the requirements of relevant national laws and regulations, but also an effective way to ensure the safety of funds and solve investment problems. According to the actual situation of state-owned enterprises, the management mode of foreign project investment risk control system mainly includes decision-making management, special control, monitoring system and incentive mechanism. To further strengthen the effectiveness of foreign investment risk control, we should first clarify the responsibilities of management departments and determine investment decision-making procedures. Secondly, we should strictly control investment projects and study their feasibility. Finally, we should do a good job in tracking and managing project investment, and strictly investigate the corresponding illegal investment responsibilities, so as to ensure the control of foreign investment risks. It is believed that with the effective research and practical exploration on the risk control of foreign

investment, the foreign investment business of state-owned enterprises will be better developed.

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