INTERNATIONAL BUSINESS-TO-BUSINESS RISK MITIGATION STRATEGIES

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ABSTRACT

When a company decides to participate in foreign funding, it accepts increased risk as well as opportunities. Exchange rate risk and political uncertainty are the two most significant hazards associated with international finance. These difficulties may make it very difficult for businesses to sustain consistent and predictable revenue. In this post, we'll look at some tactics that businesses can use to mitigate the risks that come with conducting business worldwide. While risk reduction and management readiness have risen to the top of the organizational agenda, relevant conceptual and empirical research in international business literature are limited. We give many viewpoints on risk aversion and its reduction as an introduction to this special issue. We explore both theoretical and empirical issues.

Keywords: International Risks, Business, Challenges, Risk.

INTRODUCTION

Due to the increased threat of regional conflicts, war, terrorist attacks, corruption, and unstable political regimes, cross-border corporate activity has witnessed an unparalleled level of risk globally. Risks like these are a hidden cost of doing Business Internationally (IB). Risks induce cost distortion, supply shifts, and shifts in investment expectations by redirecting or reallocating resources. On a global scale, this has resulted in a slowdown in capitalism due to lower transaction volumes, lower incomes, restrictions on expansion and venture, and a lack of entrepreneurial incentives and chances (Helm & Gritsch, 2014).

Firm-level risks have been on the rise, and they're spreading faster. As the world becomes more integrated with MNE activity, terrible conditions in one industry can readily influence others. Across time, this pattern results in unsettled waves of difficulties all over the world. The rising usage of credit on a global scale, in particular, exposes MNEs to the danger of commercial default (Gabrielsson & Gabrielsson, 2013).

In different situations, the term "*business risk*" has several connotations. It relates to a performance variation or the likelihood of a negative event that lowers the rate of return at the outset. Economic exposure, in particular, refers towards the conditions, circumstances, and events that could create performance variance or a reduction in future value in a given country (Sharma et al., 2020).

Political fallout, legislative and regulatory risk, socioeconomic risk, social risk, and other types of risk are among them. Whenever the equity of a business changes due to changes in the exchange rate of a currency, foreign exchange risk exists. FX risk, exchange rates, and exchange-rate risk are all terms for foreign exchange risk. When a national currency appreciates versus a foreign currency, profits or returns gained in the foreign country are reduced when returned to the domestic currency. Geopolitical risk, also referred as political risk, occurs when a nation's government makes an unanticipated policy change that has a detrimental impact on a foreign enterprise. Barriers to trade, which seek to limit or impede international trade, are examples of policy changes (Moen et al., 2008).

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In general, firms that engage in global finance activities have substantially greater income volatility. It can be difficult to run a business efficiently when revenue is inconsistent and unpredictable. Companies may also choose to purchase political risk protection to cover their equity stake and loans from government actions. When buying goods and supplies for your international business, you could be concerned about the provider's capacity to achieve on time and on budget. Diversifying your distribution network by dispersing orders among different vendors is one method to avoid this risk. In recent years, environmental rules have grown increasingly important to multinational corporations. By prioritising the costs of operation and expansion, they can have an impact (Lucking-Reiley & Spulber, 2001).

CONCLUSION

Risk assessment is beneficial, but it is not without difficulties. To begin with, it is difficult to distinguish between risk and its various categories. As a result, the country risk notion remains largely impressive array of ideas grouped together by the analysts' judgement and understanding. When a topic cannot be defined precisely, studies on it are inconsistent and difficult to repeat. As interest in risk aversion has grown, so have efforts to break it down into its many risk components.

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