

Major Risks Faced by State-owned Enterprises and Risk Countermeasures

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Abstract: At present, the development of state-owned enterprises in China is facing severe internal and external situations. Enterprises may face more risks in their daily operations. The article finds that the main risks faced by state-owned enterprises include debt risk, international operation risk, financial risk, and legal risk. In response to the above risks, targeted measures need to be taken. At the same time, state-owned enterprises should establish a long-term risk prevention mechanism.

1. Introduction

Judging from the current international situation, the United States has initiated a trade war between China and the United States, and even globally. It has caused global market turbulence in commodities, capital, and exchange rates, which has intensified the game in the international political, economic, and other fields. If the trade war continues to develop, it will not only hinder the recovery of the world economy, but also lead to various sudden risks. From the perspective of the domestic economic situation, China's economic development has been steadily improving, and has shifted to a stage of high-quality development. However, contradictions in the supply structure continue to emerge, the trend of weak demand growth has not changed, and problems such as insufficient development imbalance still exist. Since the development of the Sino-US trade war, it is inevitable that it will have a certain impact and uncertainty on our economy. Therefore, the current state-owned enterprises face more uncertainties and involve more risks. The state-owned enterprises should continue to effectively promote comprehensive risk management and timely prevent and resolve various major risks.

2. Risks faced by state-owned enterprises

First, the downward pressure on the economy has increased and the debt risk of state-owned enterprises has become increasingly serious. In recent years, with the gradual slowdown of China's economic growth, the decline in market demand, and the pressure of economic transformation and structural adjustment, the debt risk problems faced by state-owned enterprises have become increasingly serious. At the same time, China's state-owned enterprise debt has problems such as high leverage, unreasonable debt structure, and low use efficiency of debt funds. The debt risk of state-owned enterprises has become a major hidden danger in economic development and transformation.

Secondly, the overseas market environment is complex, the international cooperation scenario is uncertain, and state-owned enterprises face risks in overseas operations. Emerging markets and underdeveloped countries have problems of political instability, backward infrastructure construction, chaotic market order, inadequate legal systems, conflicting local and central government policies, and irregular operations. Project cooperation poses great risks of uncertainty. Although the developed countries have a good legal environment and standardized operations, they are quite different from China in the fields of political system, ideology, and cultural traditions. At the same time, some countries still have significant restrictions on China's overseas trade, investment, and political barriers. The dispute over international trade rules has intensified, and the international trade landscape will face profound changes. This will raise China's market access threshold and add new

difficulties for state-owned enterprises to operate overseas.

Third, the financial business of state-owned enterprises is developing rapidly, and they are alert to potential financial risks. In the past decade, many large central enterprises have seen huge development space in the financial industry, and have invested heavily in establishing or preparing financial holding companies to lay out financial businesses, and some have even rapidly developed into major businesses. Although the development of financial business is the need to promote the development of the main business of central SOEs, the “enthusiasm” of the financial business of some state-owned enterprises has also caused worries about “disengagement from reality” and financial risks, especially in the context of the current global economic downturn. , Need to strengthen the control of financial business risks.

Fourth, due to the complex external environment and the lagging of its own legal system construction, the daily operation and management of state-owned enterprises face legal risks. With the establishment of a modern enterprise system and the increasingly complete laws and regulations, China's state-owned enterprises have gradually matured after being baptized by the market economy. The legal consciousness and contract consciousness are not strong, and contract management is not standardized enough, causing some irreparable economic losses. Especially in recent years, state-owned enterprises are involved in an increasing number of corporate restructuring, civil, economic, and administrative disputes, and business operations face legal risks.

3. Suggested measures to prevent the risks

First, strictly control debt risk and effectively control the debt ratio within a safe and reasonable range. Preventing debt risks is the top priority to prevent and resolve major risks. Controlling the debt ratio and the scale of debt is the core content of deleveraging. State-owned enterprises should strengthen the dual control of debt scale and asset-liability ratio to ensure the safety of cash flow, strengthen the monitoring of deleveraging and debt reduction work, and incorporate work objectives into the assessment of operating performance. It is necessary to strengthen investment management and control, strictly control high-debt investment, strictly control low-efficiency investment, and strictly control non-main business investment, especially to prevent unrelated diversified investment and excessive and disorderly expansion. Optimize the configuration of assets and liabilities, strictly prevent the mismatch of investment and financing terms, and strictly control the risk of short-term loans and long-term investment.

Second, strictly control the risks of international operations and ensure the preservation and appreciation of overseas assets. Faced with a complex and severe international environment, state-owned enterprises must adhere to planning first in international operation, formulate a scientific and clear international strategy, and standardize and conduct international operations in an orderly manner. Establish and improve an international operation risk management and control mechanism, continuously strengthen overseas project management, standardize overseas operation behaviors, strengthen communication and coordination between enterprises and corporate internal business coordination, and resolutely avoid disorderly competition. Strengthen the awareness of overseas operation compliance management, strictly implement relevant regulations, and improve the level of overseas operation compliance management. Raise awareness of confidentiality and improve anti-fraud mechanism.

Third, strengthen risk management and control of financial business, and firmly adhere to the bottom line that no systemic risks occur. Establish a risk management and control system for financial business, strengthen the monitoring and stress testing of financial business operations. Group companies and financial sub-enterprises must have risk isolation, and risk isolation for various financial businesses such as securities, futures, trusts, and funds. Regulate the development of financial derivative business. Strengthen the management and control of high-risk businesses such as external guarantees, entrusted financial management, entrusted loans, and domestic guarantees and external loans. It is strictly forbidden to transfer funds out of loans through financing trade or idle trade. Establish a risk monitoring and reporting system for state-owned enterprises' financial businesses, regularly carry out risk self-inspection and self-correction activities, and continuously

improve risk prevention and control capabilities.

Fourth, establish a perfect legal risk prevention system to ensure that enterprises operate in compliance with the law. State-owned enterprises should actively promote the pace of managing enterprises according to law, earnestly implement relevant policies and regulations, enhance compliance awareness, and accelerate the establishment of a practical and effective compliance management system. Continue to improve the legal risk prevention mechanism and embed legal review into the management process. Strengthen the compliance review of important documents such as regulations and reform plans to ensure compliance with laws and regulations, regulatory requirements, etc. Strictly implement the "three majors" decision-making system, refine decision-making matters and authorities at all levels, and strengthen cooperation in decision-making. Check the rules and regulations to ensure compliance with the law. Pay attention to intellectual property risk control, enhance the legal risk awareness of state-owned enterprise managers and other staff, formulate scientific and reasonable risk management measures, and focus on contract management risk control and legal dispute risk control.

4. Long-term mechanism to prevent risks

In the long run, state-owned enterprises should improve the long-term mechanism for risk prevention and control, focusing on establishing and improving the risk research and judgment mechanism, the risk assessment mechanism, the risk prevention and control coordination mechanism, and the risk prevention and control responsibility mechanism.

First, establish and improve the risk research and judgment mechanism. State-owned enterprises must have the concept of comprehensive risk management, conduct regular risk research and judgment, carefully conduct risk investigation, and carefully identify risk sources. Risk research and judgment must comprehensively analyze the international and domestic environment, political and economic situation, industry market characteristics, and enterprise operating characteristics. It must be objective and dialectical, and insist on seeking truth from facts. Risk research and judgment should pay attention to risk laws, expert experience, scientifically select risk indicators, strengthen qualitative and quantitative analysis, and promptly issue risk information warnings.

Second, establish the risk assessment mechanism. State-owned enterprises should establish a scientific risk assessment mechanism, scientifically classify risks, carefully identify specific risks, and carefully evaluate the possibility of each specific risk and the possible losses. The biggest risk is the risk caused by decision-making mistakes. We must attach great importance to high-loss high-frequency risk and high-loss low-frequency risk. We must attach great importance to the risk assessment of major events, major projects, and major decisions, scientifically identify, analyze, and evaluate the risk of decision-making, and feedback the risk assessment report to the decision-making management in a timely manner.

Third, establish the risk prevention and control coordination mechanism. The risk management and control system of state-owned enterprises should be designed at the top level, and a three-level risk prevention and control system should be established for production and operation units, risk management departments, and company management. Each level should perform its own duties and cooperate closely. Each production and operation unit shall conduct regular risk source inspections, timely rectification of risk control defects, and timely reporting of risk events; the risk management department shall regularly supervise and inspect the risk prevention and control of each production and operation unit, and strengthen risk analysis and judgment. Carry out risk assessment in a timely manner, optimize control measures, urge the rectification of defects in risk management and control, and maintain the normal operation of the risk management system.

Fourth, establish the responsibility mechanism for risk prevention and control. The implementation of the state-owned enterprise risk management system depends on the responsibility system. Risk accidents are basically liability accidents, without the sense of responsibility of employees. The risk management system is a castle in the sky. Risk prevention and control must not only attach great importance to risk awareness and risk management capabilities, but also attach great importance to risk management responsibilities. It is necessary to perfect the risk prevention and

control responsibility system, the responsibility list and the power list, and strengthen the supervision and inspection, assessment, reward and punishment and accountability of the implementation of the responsibility system, so as to ensure the true implementation of risk management, and ultimately achieve the long-term healthy and effective operation of comprehensive risk management.

5. Conclusion

At present, the internal and external operating environment of state-owned enterprises is severe. The main risks faced by enterprises in daily operation and management include debt risk, international operation risk, financial risk and legal risk. In response to the above risks, first of all, state-owned enterprises should strictly control debt risks and effectively control the debt ratio within a safe and reasonable range. Second, state-owned enterprises should strictly control the risks of international operations and ensure the preservation and appreciation of overseas assets. Third, state-owned enterprises should strengthen financial business risk management and control, and firmly adhere to the bottom line where no systemic risks occur. Finally, state-owned enterprises should establish a perfect legal risk prevention system to ensure that enterprises operate in accordance with the law. At the same time, state-owned enterprises should establish the long-term risk prevention mechanism. The mechanisms include the risk research and judgment mechanism, the risk assessment mechanism, risk prevention and control coordination mechanism, and the prevention and control responsibility mechanism.

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