

Minimization of Risks of the Enterprise Foreign Economic Activity through Improving the Interaction Management Quality with Potential Partners

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Abstract

Foreign economic activity is one of the global opportunities for the development of industrial enterprises in most countries of the world. At the same time, enterprise management faces the problem of improving the quality of management processes in this particular area as a result of the growing number of threats and risks that are difficult to predict and which significantly affect the economic security of such entities. Improving the quality of managing interactions with potential foreign partners provides for their weighted selection based on minimizing risks, which necessitates the use of high-quality management tools. The study developed and tested an economic mathematical model for optimizing the interaction of industrial enterprises with potential partners based on risk minimization. This model allows to make high-quality strategic decisions in the field of foreign economic activity while ensuring the development of the enterprise by establishing mutually beneficial relations with foreign partners with a minimum risk level.

Keywords: quality; management; foreign economic activity; risk.

1. Introduction

Globalization processes and the development of international relations necessitate the intensification of foreign economic activity of enterprises and the improvement of the quality of management of such processes. The entry into new markets and the establishment of partnerships, as a rule, cause the emergence of specific risks and threats for the company. All this actualizes the need to minimize risks in the process of foreign economic activity of the enterprise by improving the quality of interaction with potential partners.

Explanation of the nature of markets, and especially, the relationship of the main players (participants) in the markets is investigated within the framework of the theory of agency relations, which is extremely important because it focuses not only on direct connections and interactions of market participants, but also on hidden and indirect connections. In their work "The Modern Corporation and Private Property" A. Berle and G. Means considered the theory of "principal-agent". According to their approach, the principal (guarantor) is the owner, the agent is the trustee (manager) (Berle, Means, 1932).

An agency relationship occurs when one or more individuals, called principals, hire one or more individuals, called agents, to provide certain services and then empower the agents to make decisions (Jensen, Mechling, 1976). R. H. Coase studied the specifics of the relationship between market participants and the occurrence of additional transactions and costs associated with installing and maintaining such relationships in the framework of the theory of transaction costs. The foundations of this theory were outlined by him in the work "The nature of the firm" (Coase, 1937). The theory of transaction costs has been further developed within the framework of the theory of internalization, according to which enterprises seek to minimize transaction costs by entering the foreign market (Hennart, 1982).

After analyzing the theoretical achievements of scientists involved in issues of the functioning of markets and individual subjects in such markets, it is advisable to note the existence of quite different approaches to explaining the causal relationships of individual businesses entering foreign markets. In addition, today there is a fairly wide field for researching problematic issues, in particular, the need to protect the interests of the enterprise in the interaction processes in foreign markets