International Journal of Social Science and Human Research

ISSN (print): 2644-0679, ISSN (online): 2644-0695

Volume 08 Issue 03 March 2025

DOI: 10.47191/ijsshr/v8-i3-29, Impact factor- 8.007

Page No: 1552-1555

Risk Hedging Techniques and Strategic Thinking in a Multinational Company Operating in China

Zhang Wenfa[1], Lorenzo C. Lorenzo[2]

[1,2] Graduate School, Emilio Aguinaldo College Manila, Philippines

ABSTRACT: The research focused on a multinational firm and investigated the ways in which risk-hedging techniques are incorporated into the processes of strategic thinking in order to improve operational resilience, financial stability, and long-term competitiveness. It assessed the level to which employees believed that various risk-reducing strategies, such as technical hedging, financial derivatives, global currency hedging, sector-specific hedging, and sophisticated risk models, were compatible with the characteristics of adaptability, ecosystem thinking, experiential learning, and sustainability. The findings point out that although generally perceived to be effective, risk-hedging techniques need to be improved with respect to strategic thinking and adaptability and integration. Basically, correlation analysis indicated that the workflow of complex risk models is positively correlated to the strategic concept of agility, whereas that of structured financial risk mitigation strategies remains flexible. On the basis of above considerations, risk management frameworks should align with strategic initiatives, involve more integration across job functions, and build training programs that increase the ability of employees to adapt and implement proactive decision-making. Multinational corporations must integrate financial, operational, and technological risk hedging with strategic foresight for a more resilient and sustainable approach to business growth. The paper, therefore, concludes with recommendations on fortifying risk mitigation, promoting cross-functional collaboration, and ensuring that strategic adaptability remains an integrated consideration within corporate decision making.

KEYWORDS: Risk Hedging Techniques, Strategic Thinking, Multinational Company, China

INTRODUCTION

Multinationals have been experiencing diverse challenges in a fast-changing global environment in today's time, especially in view of strategic planning and risk management. The companies are almost always confronted with odd situations in developing states such as China, where the environment of varying political, economic, and operations make for sometimes hostile terrains. Strategic thinking and risk hedging strategies are growingly recognized as primary tools to reduce these uncertainties and promote long-term competitiveness. The literature highlighted the importance of strategic thinking in stress adaptation, flexibility, and proactive decision-making (Brătianu, 2015). Further, a risk hedging strategy gives a business an upper hand in minimizing losses related to erratic market situations, which is an important part of business strategy (Bae et al., 2018).

It has been stressed by researchers in the past that for any sustainable development to occur in a dubious environment, one must combine strategic thought together with risk management techniques (Pattinson, 2016; Olaniyi & Lucas, 2016). Kasahara (2015) provides practical suggestions for utilizing strategic thought to maintain a "big picture," thereby allowing companies to enhance outcomes by undertaking strategic insights and hedging strategies. Therefore, strategic thinking is defined as a method that integrates long-term forecasting, risk assessment, and adaptive flexibility, breaking away from traditional planning (Calabrese & Costa, 2015). Studies in risk management likewise indicate that sound risk hedging protects the financial health of firms and provides greater strategic agility for the firms to respond swiftly to dynamic market environments (Vargas-Hernández & Estrada Sánchez, 2014; Erzurumlu et al., 2023).

The economic environment in China is full of opportunities as well as threats for any MNC. Among emerging markets, China is among the largest and has achieved rapid economic growth that has made it an attractive destination for foreign investments. Yet, working in China is complicated by the regulatory uncertainties, fluctuations in currency exchange, and unpredictable shifts in consumer behavior. These necessitate the formulation of effective risk management strategies as well as the establishment of strategic thinking skills to enable anticipation and reaction to possible disruptions in the market for MNCs. Additionally, available literature indicates that vulnerabilities within regulatory environments can make foreign companies more susceptible to policy changes and economic shocks such as those that happen quite quickly (Mitchell et al., 2020; Aggarwal, 1999).

This research therefore has a lot of significance to the organization under study. By analyzing the linkage between the strategic thinking aspect and risk hedging, relevant measures will be derived into saving on cost through better decisions and building up resilience. The study will also create a practical framework that can fit very well into other MNCs with similar challenges when looking at different approaches and the exact methods and ways in which the company operates.

Statement of the Problem

This study aimed to assess the effectiveness of risk hedging techniques and strategic thinking methods employed by a selected multinational company in China. Specifically, it sought answer the following questions:

1. What is the profile of the respondents in terms of:
   1.1. Age;
   1.2. Position;
   1.3. Length of Service?
2. What is the assessment of the respondents on the risk hedging techniques currently employed by the multinational company in terms of:
   2.1. Technological Hedging in Power and Operational Systems;
   2.2. Financial Derivatives for Tail Risk and Volatility Management;
   2.3. Global Currency Hedging and Exchange Rate Management;
   2.4. Sector-Specific Hedging Strategies for Commodity and Energy Markets:
   2.5. Complex Risk Models for Specialized Exposures?
3. Is there a significant difference in the assessment of the respondents on the risk hedging techniques currently employed by the multinational company when grouped according to their profile?
4. What is the assessment of respondents on the strategic thinking methods employed by the multinational company in terms of:
   4.1. Adaptability and Dynamic Decision-Making;
   4.2. Ecosystem Thinking and Intelligent Opportunism;
   4.3. Experiential Learning and Cause-and-Effect Analysis;
   4.4. Sustainability and Systems Thinking?
5. Is there a significant difference in the assessment of respondents on the strategic thinking methods employed by the multinational company when grouped according to their profile?
6. Is the a significant correlation between the assessment of the respondents on the risk hedging techniques and strategic thinking methods employed by the multinational company?

RESEARCH METHODOLOGY

In order to examine relationships and differences in the assessment of risk hedging techniques and strategic thinking methodologies within different respondent groups in the multinational company, quantitative comparative correlational design was indeed adopted for the study. Adoption of the quantitative approach has enabled the collection of numerical data, which were analyzed statistically so that objective and generalizable conclusions could be drawn regarding the perceived effectiveness of these sets of techniques with regard to different employee profiles such as age, position, and length of service.

A total of 300 purposefully selected participants from among those employed in the Chinese subsidiary of the multinational were included in the study. This had the purpose of providing a variety of positions, experiences, and working functional areas within the organization to ensure comprehensive insights into the company's risk hedging and strategic thinking practices. Those in the managerial positions, financial and risk management, operations, and others concerned were prioritized in terms of selection due to their greater likelihood of interactions and experience regarding the company's strategic and risk management concepts.

Data were collected through a researcher-made questionnaire involving respondents' assessment of risk hedging techniques and strategic thinking methods practiced by the multinational company. The questionnaire was divided into two main parts, each dealing with a specific area of interest in the study. The eight statements used in the study were scored on a 4-point Likert scale from 1("Strongly Disagree") to 4("Strongly Agree"). The instrument was designed to yield quantitative data compatible with the comparative and correlational analyses targeted by the study.

Results of the Study

1. 1. Profile of Respondents- The demographic profile of respondents indicates a well-distributed workforce in terms of age, position and length of service. A large majority of them came at the age range of 25-35 years (38.0%), followed by the equal representation of 23.0% each in the brackets of 46-55 and 55 and above. Managers account for the largest number (41.0%) while support staff, technical employees and supervisors follow with less than a quarter of the composition (23.3% for support staff, 21.3% for technical staff and 14.3% for supervisors). Almost half of the respondents (46.3%) worked with

the company from 1 to 5 years while 16.7% have been in the service for more than 15 years. Such data gives a fair reference to both fresh and old views to ensure flexibility and stability within the workforce of the company.

2. Assessment of the Respondents on the Risk Hedging Techniques- Employees generally perceive the company's risk hedging techniques to be effective, in that all risk management strategies were rated within the "Agree-evident" category. The most rated practice involves sector specific hedging for the commodity and energy markets (3.30), which illustrate the employees' firm conviction in the ability of the company to stave off price volatilities. Financial derivatives for tail risk and volatility management (3.24) as well as global currency hedging and exchange rate management (3.34) are viewed positively, giving the impression that employees perceive financial stability measures of the company. Slightly below these, however, were complex risk premises for specialized exposure (3.26) and technology-based hedging in power and operational systems (3.13), which could possibly be areas of improvement in the use of predictive modeling alongside to technological risk mitigation.
3. Differences in Profile - Assessment of the Respondents on the Risk Hedging Technologies. The analysis of differences in perception on the basis of age, position, and length of service finds that age and tenure have a greater difference in perceptions with regard to mostly all risk hedging techniques except for those under sector-specific hedging strategies, which are associated with having a higher score from older employees. In contrast, the job position affected perceptions significantly on financial and complex risk models' derivative perception. The financial risk management techniques were rated higher by managers and supervisors than by the technical and support staff. The differences in view could occur owing to wider exposure to financial decision-making. The findings proffer that although the common risk management strategy is accepted as consistent, it is affected by specific differences in exposure and experience with these roles.
4. Strategic Thinking Methods Utilized by the Multinational Company- As a general rule, employees perceived the company within the confines of categories as agree-strategic -effectiveness. The item having the highest score was ecosystem thinking and intelligent opportunism (3.45), implying the employees' contribution in effecting collaboration and taking advantage of outside opportunities. Experiential learning and cause-and-effect analysis (3.33), and sustainability and systems thinking (3.24). However, an adaptability and dynamic decision-making aspect (3.07) found it below average, showing that there's need for improvement on how employees would have their companies be more agile in responding to change and strategic maneuvering.
5. Differences in Profile - Methods of Strategic Thinking Employed by the Multinational Company. The difference in positioning plays a greater role in determining the perception of strategic thinking methods than in looking at risk hedging techniques. Managers consistently rated strategic methods lower than did all other employee groups, especially with respect to adaptability, ecosystem thinking, and sustainability. On the other hand, support staff tended to rate most categories higher, suggesting that they do have a concrete sense of visibility and impact of strategic initiatives. Age and tenure did not appear to differentiate approaches per category significantly, except in the case of adaptability, where older employees tended to rate adaptability higher than younger employees. This implies that, while all levels of experience appear to recognize the term "strategic approach," what really influences employee perceptions of adaptability and strategic integration are the differences stemming from their organizational roles.
6. On the Correlations Between Respondents' Assessments of Risk Hedging Techniques and Strategic Thinking Employed by the Multinational Company- Correlation analysis signifies that generally, there is no positive correlation between the employees' views on risk hedging techniques and the strategic thinking methods, thus indicating that these two are viewed as separate components of the organizational strategy. However, some specific correlations yield useful insights. The independence of complex risk models is positively correlated with adaptability, ecosystem thinking, and experiential learning, suggesting that employees equate advanced risk modeling with strategic foresight and agility. In contrast, other indicators dealing with financial derivatives and global currency hedging show weak negative correlations with adaptability and experiential learning, indicating that structured financial risk mitigation means were probably perceived as less flexible or adaptive to dynamic business conditions. That suggests risk management and strategic thinking function largely independently but certain approaches, especially complex risk modeling, are more closely associated with strategic adaptability and innovation.

CONCLUSION

It has been determined that the multinational balances its human resources very well, contributing to stability and innovation. Employees tend to see the multinational's risk hedging techniques as effective, especially with regard to sectoral and financial derivative hedge techniques, but they further said that there was much to be desired concerning predictive modeling and technological hedging. Job position turned out to exert a greater influence on perception of risk management than age or tenure, with managerial posts rating financial strategies more favorably. Similarly, strategic thinking was highly rated, especially in collaboration and sustainability, but adaptability and dynamic decision making have been seen as growth opportunities. Job position proved to determine perception regarding strategic thinking approaches, as supervisors were more critical than support staff, indicating a degree of misalignment among roles with respect to strategic direction. A correlation analysis showed that risk hedging and strategic thinking operate somewhat independently, although complex risk models positively associate with adaptability and strategic foresight. On the contrary, financial risk strategies have low negative relations with adaptability, suggesting a perceived trade-off between financial stability and flexibility of the organization. These findings indicate the value of aligning risk management with strategic flexibility in order to build organizational resilience and responsiveness within a dynamic business environment.

REFERENCES

1) Aggarwal, R. (1999). *Technology and Globalization as Mutual Reinforcers in Business: Reorienting Strategic Thinking for the New Millennium*. Management International Review.
2) Bae, S. C., Kim, H. S., & Kwon, T. H. (2018). Currency derivatives for hedging: New evidence on determinants, firm risk, and performance. *Journal of Futures Markets*.
3) Brătianu, C. (2015). Developing strategic thinking in business education. *Management Dynamics in the Knowledge Economy, 3*(3), 409-429. http://www.managementdynamics.ro
4) Calabrese, A., & Costa, R. (2015). Strategic thinking and business innovation. *Journal of Engineering and Technology Management, 38*, 24-36. https://doi.org/10.1016/j.jengtecman.2015.06.001
5) Erzurumlu, S. S., Deets, S., Nersessian, D., & Rodgers, V. L. (2023). Strategic engagement of business with Sustainable Development Goals: A systems thinking approach. *Business Strategy and the Environment.* https://doi.org/10.1002/bse.3402
6) Kasahara, E. (2015). *Practical strategic management: How to apply strategic thinking in business.* World Scientific. https://doi.org/10.1142/9425
7) Mitchell, A. R. J., Lemon, M., & Lambrechts, W. (2020). *Learning from the Anthropocene: Adaptive Epistemology and Complexity in Strategic Managerial Thinking*. Sustainability.
8) Olaniyi, I. M., & Elumah, L. O. (2016). Strategic thinking and organization performance: Study of Nigeria firms. *Journal of Business Administration Research, 5*(1), 23-34. https://doi.org/10.5430/jbar.v5n1p23
9) Pattinson, S. (2016). Strategic thinking: Intelligent opportunism and emergent strategy — The case of strategic engineering services. *International Journal of Entrepreneurship and Innovation, 17*(1), 65-70. https://doi.org/10.5367/ijei.2015.0212
10) Vargas-Hernández, J. G., & Estrada Sánchez, J. O. (2014). Strategic thinking as a critical factor of business competitiveness. *Acme Journal of Business Management, 1*(1), 1-9. http://acmejournals.org/Journals/Social-Sciences/AJBM/home.html