

# Micro, Small, and Medium Enterprises' Cross-Border Business Strategies

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**Abstract:** This paper explores the operational strategies of cross-border micro, small, and medium enterprises (MSMEs). Against the backdrop of globalization and digitalization, cross-border trade has become one of the important pathways for many MSMEs to achieve growth and competitive advantage. Firstly, the paper outlines the concept and characteristics of cross-border MSMEs, as well as the analysis of their operational environment in the context of globalization, including political, economic, social, technological, environmental, and legal factors. Secondly, the paper proposes operational strategies for cross-border MSMEs, including international market selection and positioning, cross-border marketing strategies, supply chain management, cross-border financial management, and cross-border risk management. Finally, the paper summarizes the importance of effectively implementing these strategies for cross-border MSMEs to seize international market opportunities, reduce operational risks, and enhance competitiveness and profitability.

**Keywords:** Cross-border MSMEs; Operational strategies; Globalization; Digitalization; International market; Cross-border trade, marketing, finance, and risk management; Supply chain management

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## 1. Background and significance

In the era of globalization and digitization, cross-border trade has become one of the significant avenues for many micro, small, and medium enterprises (MSMEs) to achieve growth and competitive advantages. Especially with the rapid development of e-commerce and logistics technologies, cross-border MSMEs have more opportunities to enter international markets and collaborate with suppliers, customers, and partners globally. However, cross-border operations also face many challenges, including policy restrictions, cultural differences, financial risks, etc., making operational strategies for cross-border MSMEs crucial <sup>[1]</sup>.

This paper aims to explore in-depth the operational strategies of cross-border MSMEs, analyzing the environments and challenges they face, and studying effective operational strategies to enhance their international competitiveness and sustainable development capabilities. Through a comprehensive study of the operational strategies of cross-border MSMEs, not only can their competitiveness in international markets be enhanced, but it can also promote trade circulation, stimulate economic growth, and make positive contributions

to global economic development.

## **2. Overview of cross-border MSMEs**

Cross-border MSMEs refer to businesses that are relatively small in scale, conduct operations in international markets, and operate across national borders. Specifically, cross-border MSMEs generally possess the following characteristics:

- (1) **Small scale:** Cross-border MSMEs are typically small-scale enterprises with limited staff, assets, and annual turnover. These enterprises may be founded by individuals or a few partners and may lack sufficient resources and financial support in the initial stages.
- (2) **International market expansion:** Cross-border MSMEs are committed to expanding into international markets, selling their products or services to other countries or regions across national borders. These enterprises may expand their international business through e-commerce platforms, international trade fairs, or collaboration with overseas agents.
- (3) **Flexibility and adaptability:** Due to their small scale, cross-border MSMEs usually have strong flexibility and quick response capabilities. They can quickly adjust business strategies, product designs, and marketing plans to meet the needs and market changes in different countries or regions.
- (4) **Innovation awareness and technological application:** To maintain competitiveness in international markets, cross-border MSMEs typically have a strong awareness of innovation and actively adopt advanced technologies and information tools. This includes innovative applications in product design, production processes, marketing, and supply chain management.
- (5) **Facing challenges and opportunities:** Cross-border MSMEs face many challenges in operating in international markets, such as policy regulations, cultural differences, language barriers, logistics costs, etc. However, they also face significant opportunities such as the expansion of global markets, the development of e-commerce, and the liberalization of international trade policies.

## **3. Analysis of the operational environment of cross-border MSMEs in the globalization context**

### **3.1. Political factors**

From a political perspective, the global political situation is relatively stable, and peace and development are the common pursuits of people worldwide. China actively develops trade relations with countries around the world, especially after joining the World Trade Organization, gradually reducing tariff barriers, which is conducive to foreign products entering the Chinese market. This has profound effects on the strategic planning of enterprises, bringing multiple benefits to the development of cross-border e-commerce. However, at the same time, the upgrading of consumer personalized demands, customization, and the trend towards disintermediation also compel enterprises to transform, bringing considerable development prospects to the field of cross-border e-commerce <sup>[2]</sup>.

The stability of China's political system and the openness of the economic market provide impetus for the development of cross-border e-commerce. The government continuously promotes technological innovation and formulates more open institutional regulations to promote healthy economic development. However, cross-border e-commerce enterprises still face a series of complicated procedures such as customs supervision, commodity inspection, tax refund, payment environment, etc., which may encounter different problems. In recent years, the Chinese government has successively issued a series of policy documents supporting the

development of cross-border e-commerce. These policy provisions provide support and encouragement for the development of cross-border e-commerce and provide policy guarantees and support for enterprise operations.

### **3.2. Economic factors**

With the transformation of the domestic economic structure and the increase in disposable income levels, China's consumption patterns are changing. Labor productivity continues to improve, the pattern of import and export trade is constantly changing, and there are differences in consumption habits between regions. At the same time, the ways of cross-border flow of labor and capital are also changing. Fiscal policies are relatively loose, residents' demand for product quality continues to increase, the inflation rate is rising, the exchange rate is gradually decreasing, and the gross domestic product continues to grow. These factors together bring development opportunities for cross-border e-commerce.

### **3.3. Social factors**

When companies choose target markets, they need to consider many factors. These factors include changes in the population structure, lifestyles, local culture, traditional holiday customs, consumption habits, purchasing methods (such as one-time purchases and group buying), gift preferences, consumer psychology, public moral concepts, environmental awareness, social responsibility, income gap, per capita income level, values, aesthetic concepts, after-sales service needs, regional characteristics, and preference assessments, as well as population growth processes and distribution, etc. In addition, the historical development, cultural traditions, values, education levels, and customs of the members of the organization's society will also have an impact on the target market <sup>[3]</sup>.

In developed countries, birth rates and fertility rates are generally declining, and some countries have even experienced negative population growth. Currently, global population growth is mainly concentrated in developing countries and regions. From the perspective of China's population growth trend, although the birth rate has declined, it has historically accumulated a large population base.

### **3.4. Technological factors**

Information security issues in e-commerce should be given the highest priority. Currently, information technologies such as cloud computing and big data have been widely applied, making data one of the crucial assets, even considered as one of the core resources of a business. Data is vital for accurate marketing and precise business operations. User data, as significant intangible property, including users' names, ID numbers, contact information, transaction records, bank details, and addresses, if leaked or misused, could potentially impact and harm individual, familial, societal, and national information security <sup>[4]</sup>.

However, legislation related to big data is still incomplete, and relevant guiding documents are yet to be issued, leading to uncertainties regarding the rights to use and ownership of specific data and lacking mature regulatory systems. Currently, the security of these user data information is mainly maintained by enterprises themselves, but there exist differences in the operational capabilities and technological means of different enterprises. Within the scope of lacking regulation from the national information infrastructure, it is impossible to fully control the ethical bottom line of enterprise management and technical personnel. Once user information is stolen or technology is compromised, it may trigger severe economic or even social problems. Therefore, strengthening the regulation and protection of information security in e-commerce is crucial.

### **3.5. Environmental factors**

With the rapid expansion of the cross-border e-commerce market, numerous issues arise. Firstly, the large

number of enterprises, varying scales, and rapid industry development lead to diverse enterprise structural patterns. Especially on a global scale, particularly in developed countries, cross-border e-commerce enterprises are widely distributed. Due to the overly rapid start, many developing issues remain unresolved, and the development of related supporting industries fails to keep pace with the demands of the times. Cross-border e-commerce enterprises are significantly influenced by the development of the Internet industry, particularly facing constraints in cross-border payments and international logistics. Different countries have diverse natural environments, customs, and cultural factors, which also pose challenges to the sustainable development of cross-border e-commerce. Although cross-border e-commerce belongs to the tertiary industry, it relies heavily on the vast manufacturing industry.

The global development model of cross-border e-commerce is similar, altering consumer consumption habits and generating profound impacts. However, the issue of cross-border logistics remains a severe challenge. According to feedback, generally, logistics from China to various European countries, Australia, New Zealand, and other places takes about 15 days. Although air transport is a rapid method, the freight costs are extremely high. Traditional transportation methods are too slow for some products, especially perishable goods, failing to guarantee product quality. Fundamental improvements in the cross-border logistics system are necessary to possess strong competitiveness in the international market competition of cross-border e-commerce <sup>[5]</sup>.

### **3.6. Legal factors**

To promote the deep integration of the real economy and the virtual economy, governments of various countries have either enacted or are preparing to enact relevant laws and regulations. These regulations aim to create a fair, just, and open competitive environment to promote the development of cross-border e-commerce business for enterprises. However, the policy and regulatory system for cross-border e-commerce logistics still lag behind the industry's development speed. The level of informatization has also failed to satisfy consumers. Therefore, despite the efforts of governments worldwide to improve relevant regulations and regulatory systems, further strengthening supervision and enhancing the level of informatization are still necessary to adapt to the rapid development of cross-border e-commerce business <sup>[6]</sup>.

## **4. Strategies for cross-border MSMEs**

### **4.1. Selection and positioning in international markets**

Cross-border MSMEs need to conduct thorough market research when selecting international markets. They should understand consumer demands, competitive landscapes, policies, and regulations of target markets to evaluate market potential and risks. Based on factors like market size, growth rate, and competition level, they can select suitable target markets for their development. Considering the influence of cultural, linguistic, legal, and political factors, cross-border MSMEs should choose target markets that align with their business and devise corresponding entry strategies. It is essential to clearly define target customer groups based on product characteristics and market demands, including consumer traits, purchasing behaviors, preferences, etc., to conduct targeted marketing and promotional activities. Analyzing competitors' strengths and weaknesses helps determine their competitive positioning in the target market, including product differentiation, pricing strategies, service quality, etc. Establishing and promoting the company's brand image strengthens brand awareness and reputation in the target market, enhancing market competitiveness.

### **4.2. Cross-border marketing strategies**

Conducting in-depth market research in cross-border markets is crucial to understanding their culture, consumer



habits, regulations, and policies, as well as competitors' market shares and marketing strategies. Based on the demands and competition in the target market, adjust product positioning to determine the most competitive product features and advantages. Build a brand image that conforms to international standards, including brand name, logo, slogan, etc., to enhance brand awareness and reputation internationally. Utilize cross-border e-commerce platforms, social media, international exhibitions, etc., to carry out cross-border brand promotion and advertising activities, attracting the attention and purchasing intentions of target customers. Utilize various sales channels, such as cross-border e-commerce platforms (like Amazon, eBay, AliExpress, etc.), to sell products and quickly enter the target market by leveraging platform traffic and resources. Collaborate with local agents and distributors to expand the product sales network through offline retail channels, covering more target customer groups. Implement multilingual marketing by establishing multilingual official websites providing localized product information and customer services, facilitating target customers' understanding and purchase of products. Employ customer service personnel proficient in the language and culture of the target market to provide timely consultation and after-sales services, enhancing customer satisfaction and loyalty. Conduct localized marketing activities according to the holidays and shopping habits of the target market to increase product sales and brand exposure. Utilize popular local social media platforms (such as Facebook, Instagram, WeChat, etc.) to interact and communicate with target customers, enhancing brand influence and user engagement.

### **4.3. Cross-border supply chain management**

- (1) Supplier selection and evaluation: Identify suitable suppliers in the target market and assess their production capabilities, quality control, delivery time, etc. Conduct audits and evaluations of potential international suppliers to ensure compliance with the company's regulatory requirements and quality standards.
- (2) Logistics and transportation optimization: Choose appropriate international logistics and transportation methods, including sea freight, air freight, railway transportation, etc., based on the nature of goods and time requirements. Collaborate with professional cross-border logistics companies to establish stable logistics channels and transportation networks, ensuring timely and secure delivery of goods to the target market.
- (3) Inventory management and forecasting: Plan inventory levels reasonably according to market demand and sales forecasts to avoid inventory backlog or stockouts. Establish cross-border warehousing and distribution centers to achieve global inventory management and goods allocation, reducing inventory costs and operational risks.
- (4) Quality management and monitoring: Establish a quality management system with suppliers to monitor the quality of raw materials and finished products, ensuring that products meet standards and customer requirements. Establish a cross-border quality monitoring mechanism to promptly identify and address cross-border quality issues, protecting the company's brand reputation and customer interests.
- (5) Cross-border compliance management: Comply with trade regulations and customs regulations in the target market to ensure legal import and export of products, avoiding risks and losses due to non-compliant operations. Understand the tax policies and tax regulations of the target market, plan tax strategies reasonably, and reduce cross-border trade costs and tax risks.

### **4.4. Cross-border financial management**

- (1) Foreign exchange risk management: Use financial tools such as forward contracts, options, etc., to lock

in future exchange rates and reduce transaction risks due to exchange rate fluctuations. Reasonably allocate foreign exchange reserves according to the scale of business operations and cross-border transactions to ensure the smooth progress of cross-border transactions.

- (2) Cross-border payment and settlement: Select reliable and secure cross-border payment channels, such as bank telegraphic transfers, letters of credit, cross-border payment platforms, etc., to ensure fund security and timely payment. Determine the most suitable payment settlement methods according to contract terms and transaction customs, such as payment before delivery, letter of credit payment, etc., to reduce transaction risks.
- (3) Cross-border fund flow management: Establish a cross-border fund pool structure to achieve centralized management and unified dispatch of funds, reducing foreign exchange transaction costs and improving fund utilization efficiency. Establish a fund flow monitoring system to grasp fund flow dynamics promptly, alert fund risks, and ensure fund security.
- (4) Tax compliance and tax incentives: Utilize cross-border tax treaties and preferential policies for reasonable tax planning, reduce corporate tax burdens, and improve profitability. Comply with tax regulations and declaration requirements in the target market to ensure the legality and compliance of cross-border transactions, avoiding legal risks due to tax issues.

#### **4.5. Cross-border risk management**

- (1) Policy and legal risks: Keep abreast of policy regulations in the target market, including trade policies, investment reviews, foreign exchange controls, etc., and assess their impact on business operations. Comply with legal regulations in the target market, establish sound compliance management systems, regulate corporate operations, and avoid operating losses and legal liabilities due to legal risks.
- (2) Trade and exchange rate risks: Identify, assess, and manage trade risks, including product quality issues, delivery delays, payment defaults, etc., and establish corresponding risk management measures and response strategies. Adopt hedging measures such as exchange rate hedging and multi-currency settlements to reduce the impact of exchange rate fluctuations on business operations and financial conditions, ensuring fund security.
- (3) Supply chain and logistics risks: Regularly assess suppliers' credit status and supply capabilities, and establish supplier management systems to ensure smooth and stable supply chains. Choose reliable logistics service providers, establish supply chain risk management mechanisms, and respond to possible logistics delays, cargo damage, etc., ensuring timely and secure transportation of goods.
- (4) Market and competitive risks: Monitor market dynamics and competitive situations in the target market, predict market trends, adjust market strategies promptly, and preemptively respond to market risks. Continuously monitor competitors' dynamics and behaviors, analyze their strategic measures and market performance, formulate response strategies, and maintain market competitive advantages.
- (5) Geopolitical and natural disaster risks: Understand the geopolitical situation and security conditions in the target market, assess their impact on business operations, and take necessary measures to reduce the impact of political risks. Establish a disaster risk management mechanism, including stocking, backup, insurance, etc., to cope with the impact of natural disasters on business production and supply chains.

In conclusion, the operational strategies of cross-border MSMEs cover various aspects, including market selection, marketing, supply chain, finance, and risk management. Effectively implementing these strategies helps cross-border MSMEs seize international market opportunities, reduce operational risks, improve competitiveness and profitability, and achieve sustainable development.

## 5. Conclusion

In summary, as cross-border e-commerce flourishes, its role and significance in international trade become increasingly prominent. Cross-border MSMEs play an indispensable role in the global economy and face various challenges and opportunities in international markets. By formulating flexible and innovative business strategies according to their actual situations, cross-border MSMEs can adapt to the ever-changing international market environment, and enhance competitiveness and adaptability.

## Disclosure statement

The authors declare no conflict of interest.

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