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A Risk Assessment Model for Foreign Investment of Szechuan Sauce Enterprises based on Extenics

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Abstract

With the implementation of China's Belt and Road Initiative, the trade between countries along the economic belt has become more frequent. This provides opportunities for Szechuan sauce enterprises to develop overseas. Therefore, more and more Szechuan sauce enterprises have started to invest overseas. Under this background, focusing on the foreign investment risk of Szechuan sauce enterprises, a corresponding risk assessment index system is constructed in this paper based on politics, economy, market, and so on. And then, a risk assessment model of Szechuan sauce enterprises' foreign investment based on Extenics is established, and the risk level and high-risk influencing factors are discussed. In addition, this study can provide methodological guidance or reference for Szechuan sauce or food enterprises to assess their foreign investment risk.

Keywords

Foreign Investment; Szechuan Sauce; Risk Assessment; Extenics; The Belt and Road.

1. Introduction

In recent years, with the implementation of the Belt and Road Initiative in China, the relevant governments and enterprises in China have made greater efforts to promote Szechuan sauce in international exhibitions or overseas cooperation, so that the international popularity of Szechuan sauce has become higher and higher. The overseas development of Szechuan sauce shows a good momentum of gaining momentum.

Szechuan sauce is a synthetic product of Szechuan pepper, Zanthoxylum bungeanum, pepper, ginger and other spicy spices. It is the essence of Szechuan cuisine. Different from the complicated process and being unable to industrialize production of Szechuan cuisine, which makes it difficult to internationalize, Szechuan sauce is popular in overseas markets because of its convenient use and standardized production. In October, 2017, McDonald's Szechuan sauce attracted a wave of American consumers queuing (Chinadaily.com, 2017). Then, watercress, pepper sauce, shiitake mushroom and pickled mustard tuber and other products from Sichuan also appeared on the hot searches of foreign websites. Since then, Szechuan sauce has become one of the favorite seasonings of China for overseas consumers. In March, 2022, McDonald's America announced that it would supply Szechuan Sauce, a classic sauce, in the app for a limited time from the 31st of that month (brandeating.com, 2022). When the news came out, it aroused the enthusiasm of American diners. In recent years, Szechuan sauce has been well received by foreign consumers, and its export volume is increasing every year. This makes Chinese government and enterprises realize that Szechuan sauce has great potential for foreign development. And the Sichuan Economic and Information Committee organized a seminar on the hot sale of Sichuan Hot Sauce in the United States to discuss the foreign investment of Sichuan Hot Sauce. Meanwhile, more and more Sichuan-style enterprises are trying to invest abroad.

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At present, the research related to Szechuan sauce mainly focuses on the composition and function of its main component, Szechuan pepper. For example, Ivane et al. (2022) summarizes the volatile and non-volatile chemical components in Szechuan pepper, its sensory mechanisms of tingling paresthesia, and the potential signaling pathways associated with its therapeutic activity. Other works include Li et al. (2019), Hui et al (2021), Deng et al. (2019), and Bao et al. (2018), which study the characterization and Assessment of Changes in the Aroma-Active Components in Szechuan Pepper, the identification of key genes in the biosynthesis pathways related to terpenoids, alkaloids and flavonoids in fruits of Szechuan pepper, and the function of Szechuan pepper respectively. There is a lack of research on foreign investment and risk assessment with Szechuan sauce. A few studies are related to foreign investment in food. Wolff (2014) studies China's foreign investment in food industry and finds food enterprises have become highly-sought after targets of Chinese outbound investment activities. Buccola et al. (2001) use a share equation model to examine the factors influencing food processing cooperatives' foreign business arrangements. In addition, Lee and Kang (2010) analyze the factors affecting the performance of FDI in food service enterprises. Although the above researches are related to foreign investment in the food field, they have not discussed the risk of foreign investment. Risk assessment is the premise and basis of overseas investment of enterprises.

There are many studies on risk assessment of Chinese enterprises' overseas investment, but they mainly focus on natural resources and general products, such as oil, minerals and household appliances, but have nothing to do with Szechuan sauce and food. For example, in terms of natural resources, Li et al. (2016), Li et al. (2017), Duan et al. (2021), Duan et al. (2018), Wu et al (2020) and Hussain et al. (2020) construct a variety of assessment models to generate a comprehensive assessment of China's foreign energy investment risk. Moreover, Ma et al. (2018) and He et al. (2021) respectively established an identity-discrepancy-contrary risk assessment model based on the 5-element connection number and an improved extension assessment method based on game theory to analyze the overseas mining investment risk. Furthermore, Zhong et al. (2022) analyzes the risks of Haier Group's overseas investment by Z-value models and market effects. The above researches can only guide the risk assessment of foreign investment of corresponding products, but can't provide such help for Szechuan sauce with food characteristics. Unlike natural resources and household appliances, Szechuan sauce belongs to the food category. Food is a special industry related to people's health, and its quality, safety and trust are important contents that consumers at home and abroad are pay great attention to. At present, China's food safety standards are very different from other countries, which is one of the reasons why China's food is difficult to go global. Besides, different from ordinary products, the food culture in different countries and regions is different. Therefore, Szechuan sauce enterprises should fully consider the influence of the food characteristics of Szechuan sauce when assessing the risk of foreign investment.

In view of the deficiency of current research and the actual needs, this paper constructs the corresponding risk assessment index system on the basis of considering the general influencing factors and the characteristics of food quality and safety of Szechuan sauce. Moreover, it uses the extension theory to establish a quantitative model of foreign investment risk assessment based on Extenics, and puts forward the measures to prevent foreign investment risk of Szechuan sauce. This study can provide a reference for the risk assessment of Szechuan sauce or food-related enterprises' foreign investment, thus helping the enterprises avoid the failure of foreign investment and promote the healthy development of them.

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2. Risk Assessment Index System for Foreign Investment of Szechuan Sauce Enterprises

In view of the fact that foreign investment of enterprises will be affected by economy, politics, market and other aspects, according to the characteristics of Szechuan sauce, a risk assessment index system for foreign investment of Szechuan sauce enterprises is established from six aspects: political risk, legal risk, economic risk, market risk, enterprise risk and social risk.

2.1. Political Risk

Political factor is one of the factors that Szechuan sauce enterprises must consider when they invest abroad. The political stability of the host country will directly affect the stability of the foreign assets of Szechuan sauce enterprises. In recent years, with the multi-polarization of global politics, foreign investment of enterprises has been deeply influenced by geopolitics. Besides, the host country's policy towards foreign investment is also very important. Generally speaking, the host country's support for the introduction of foreign capital will be conducive to the investment of enterprises.

2.2. Legal Risk

For a long time, the legal awareness of foreign investment of China food enterprises is weak, and the enterprises pay more attention to the product demand of the host country, rather than the provisions of the laws of the host country. Szechuan sauce enterprises do not understand the legal system of the host country and cannot make corresponding plans and responses in advance according to its legal provisions, which will increase the risk of investment and cause many unnecessary losses. In addition, perfection of the host country's legal system will also affect the stability and security of enterprises' foreign investment. The more perfect the host country's legal system is, the more conducive it is to the protection of foreign capital and the rational, orderly and efficient circulation of foreign capital.

2.3. Economic Risk

Foreign investment, as an economic activity of enterprises, will be affected by the overall situation of the global economy. For example, the financial crisis that broke out in 2008 caused the capital market to plummet, and enterprises' foreign investment was also affected. Besides the overall economic situation, the specific situation of the host country is also one of the factors that cannot be ignored when enterprises invest abroad. The good momentum of economic development in the host country will increase its attractiveness to foreign investment, as the chances of success in foreign investment are high and firms will be confident in investment, and vice versa. In addition, enterprises' foreign investment will inevitably go through the process of foreign exchange settlement. However, the exchange rate of the two currencies changes according to the market at any time. This will expose enterprises to certain currency risks when investing overseas.

2.4. Market Risk

The seasoning food industry is an industry that is susceptible to fluctuations in market demand. The shelf life of Szechuan sauce is usually 12 months. Once the consumer demand for Sichuan sauce in the host country fluctuates greatly and lasts for a long time, it will affect the material planning, manufacturing, business and development of the enterprise, resulting in investment failure. Therefore, market demand is one of the risk factors that foreign investment should consider. In addition, the competition of local seasoning substitution is also a potential risks. The local substitute seasoning in the host country has a relatively stable consumer group and a high sense of identity. When local enterprises change their business strategies, such as selling at low prices, the living space of foreign capital will be squeezed even more, which is a risk that

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cannot be ignored when investing. In addition to self-regulation, the market will be disturbed by forces outside the market. For example, in some countries or regions, the government will carry out macro-control on the market, strengthen market supervision and standardized management, and some policies introduced will also affect the changes of the market.

2.5. Enterprise Risk

The risk of foreign investment will be influenced by Szechuan sauce enterprises themselves. The first self-factor is financial risk. When an enterprise invests abroad, it needs to invest corresponding capital to carry out its business. When there are financial problems in the enterprise, it will inevitably affect the implementation and progress of the enterprise's foreign investment. The second self-factor is strategic decision-making risk. When enterprises invest abroad, information asymmetry often occurs. Information asymmetry is likely to lead to the deviation of enterprise leadership in formulating strategies and decisions, which will lead to huge losses of enterprises when investing abroad. The third self-factor is talent risk. Different from the talents needed by economic activities in China, when dealing with foreign enterprises in the international market, enterprises are required to have international professionals in translation, finance, law and other aspects. Once the corresponding talent reserve is insufficient, the enterprise's foreign investment business will be affected and hindered. The last self-factor is food quality standard risk. Different from other products, condiments are a kind of food, and people will pay great attention to its food safety issues. At present, most countries have issued their own food safety standards. If an enterprise wants to export food to a country, its food must meet the food safety standards of the country where it is located. This requires the food enterprise to have a high level of production and produce qualified and stable product, otherwise, the enterprise will face greater safety access risks when investing abroad.

2.6. Social Risk

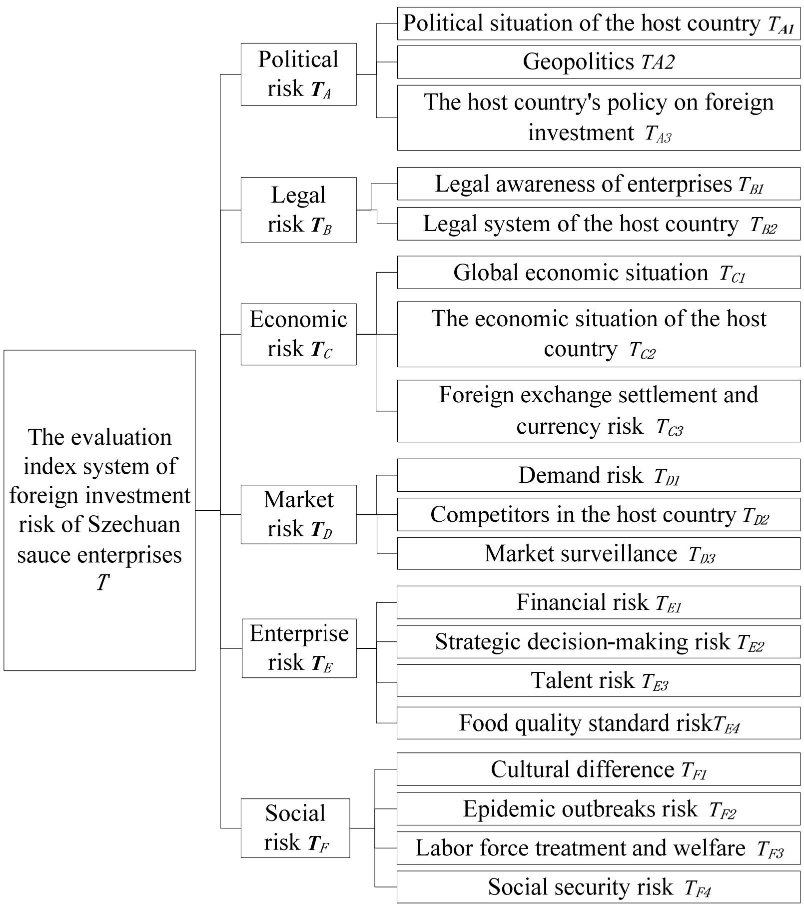

Figure 1. The risk assessment index system of foreign investment

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The foreign investment of food enterprises is an export business which is different from the domestic environment. The national conditions and social characteristics of the host country are different from those of China. Therefore, enterprises should consider the risks brought by foreign cultures, beliefs and languages when investing overseas. In addition, some sudden epidemics in the host country should be considered by food enterprises. People in outbreaks areas will be more worried about the safety of foreign food, leading to a drop in demand, which is undoubtedly a direct blow to foreign investment of enterprises. In addition, the treatment and welfare of the host country's labor force need to be considered. For example, in developed countries, the labor force is well paid and the welfare is good. That means the amount of foreign investment required by enterprises will increase. It may lead to the enterprises' capital turnover problem. Finally, social security in the host country will affect the safety of foreign investment capital and the smooth operation of foreign business.

Therefore, the risk assessment index system of Szechuan sauce enterprises' foreign investment put forward in this paper is shown in Figure 1.

3. Risk Assessment Model for Foreign Investment of Szechuan Sauce Enterprises based on Extenics

Extenics is a subject that uses extensional thinking to solve complicated problems. The correlation degree assessment method of Extenics is to use correlation function to measure the degree that the evaluated object belongs to a certain assessment grade (Jiang et al., 2022, Liu et al., 2021). The process of the correlation degree assessment method of Extenics is shown in Figure 2.

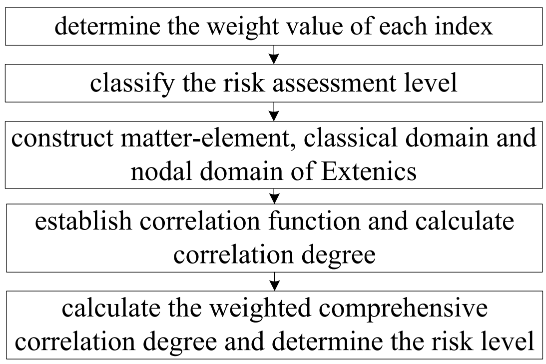

Figure 2. The process of the correlation degree assessment method of Extenics

According to the risk assessment index system above and the flow chart in Figure 2, taking the JD Company as an example of Szechuan sauce enterprises, the risk of its foreign investment is assessed by using the correlation degree assessment method.

3.1. Determine the Weight Value of Each Index

According to the situation of JD Company, Analytic Hierarchy Process (AHP) is used to determine the weight of each index. AHP is a systematic method to calculate the single ranking and total ranking of indices by fuzzy quantification of qualitative indices. In AHP, the object is first decomposed into multiple targets, and then the targets are decomposed into several levels of indices, and finally the ranking and the weight of the indices are determined by comparing the importance of them. According to the principle of AHP, by compare with each other, the influence degrees of the indices on JD Company's foreign investment risk are divided into several grades: equal influence, slight influence, strong influence, stronger influence, extreme influence and so on. Furthermore, different quantified values are assigned to different grades, as shown in Table 1.

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Table 1. Quantified values of indices (take Index i as an example)

Index grades	Quantified value of indices	Description
Equal influence	1	Index i has the same impact on investment risk as index j.
Slight influence	3	Index i has a slightly greater impact on investment risk than index j.
Strong influence	5	Index i has a greater impact on investment risk than index j.
Stronger influence	7	Index i has a much greater impact on investment risk than index j.
Extreme influence	9	Index i has an extremely greater impact on investment risk than index j.
The intermediate situation of the adjacent grades above	2,4,6,8	The intermediate value of the above adjacent grades.
The situation of reverse comparison	The reciprocal of 1-9	The situation when the two indices are interchanged in comparison order.

For example, if the assessor thinks index i has a much greater impact on the risk of foreign investment than index j, he can set the quantitative value of index i as 7 or 8 points. On the other hand, if the assessor thinks index j has a much greater impact on the risk of foreign investment than index i, he can set the quantitative value of index i as 1/7 or 1/8 points.

By collecting, analyzing and calculating the assessment data, the weight of each index is shown in Table 2.

Table 2. The index weights

Indices	T_{A1}	T_{A2}	T_{A3}	T_{B1}	T_{B2}	T_{C1}	T_{C2}	T_{C3}	T_{D1}	T_{D2}
Weights	0.066	0.035	0.050	0.057	0.041	0.073	0.070	0.034	0.206	0.082
Indices	T_{D3}	T_{E1}	T_{E2}	T_{E3}	T_{E4}	T_{F1}	T_{F2}	T_{F3}	T_{F4}	
Weights	0.070	0.049	0.039	0.026	0.018	0.042	0.017	0.017	0.009	

3.2. Classify the Risk Assessment Level

According to the actual situation and needs of *JD Company*, the risks of foreign investment can be divided into 10 grades, which are $R_1[0,1]$, $R_2(1,2]$, $R_3(2,3]$, $R_4(3,4]$, $R_5(4,5]$, $R_6(5,6]$, $R_7(6,7]$, $R_8(7,8]$, $R_9(8,9]$ and $R_{10}(9,10]$. In the risk grades above, a big numerical value means a high risk of foreign investment. In order to make the research results reasonable and feasible, this research adopts questionnaire survey to investigate the assessment opinions of experts, executives, employees and customers on the foreign investment risk of *JD Company*. At the same time, the assessment results of experts, executives, employees and customers are given 40 %, 30 %, 20 % and 10 % weights respectively. Through data sorting and weighted score calculation, the risk scores of foreign investment indices can be obtained, as shown in Table 3.

Table 3. Risk scores of indices

Indices	T_{A1}	T_{A2}	T_{A3}	T_{B1}	T_{B2}	T_{C1}	T_{C2}	T_{C3}	T_{D1}	T_{D2}
risk scores	4.4	8.3	5.3	5.7	3.0	6.1	3.9	3.3	4.8	7.7
Indices	T_{D3}	T_{E1}	T_{E2}	T_{E3}	T_{E4}	T_{F1}	T_{F2}	T_{F3}	T_{F4}	
risk scores	6.7	7.5	5.1	3.6	6.3	7.0	2.5	2.7	1.8	

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3.3. Construct Matter-Element, Classical Domain and Nodal Domain of Extenics

Matter element of Extenics is an ordered set composed of object O, features T and eigenvalues V. It can be written as set $I=\{O,T,V\}$. In the set, O represents the object being assessed, T is a set of T_i which represents each assessed feature of the object O, and V is the set of V_i which represents the eigenvalue of each assessed feature. In the above symbols, $i=A1, A2, \cdots\cdots, F4$. According to the matter-element concept and the risk scores in Table 3, the matter-element matrix of foreign investment risk assessment of *JD* Company can be constructed as

$$I=(O,T,V)=\begin{bmatrix} O & T_{A1} & V_{A1} \\ & T_{A2} & V_{A2} \\ & \vdots & \vdots \\ & T_{F4} & V_{F4} \end{bmatrix}=\begin{bmatrix} O & T_{A1} & 4.4 \\ & T_{A2} & 8.3 \\ & \vdots & \vdots \\ & T_{F4} & 1.8 \end{bmatrix} \tag{1}$$

In formula (1), the assessed object O is the foreign investment risk of *JD* Company. T are the indices of the risk index system. V are the risk scores of each index.

According to the risk grades divided by Section 2.2, the classical domain matrix can be constructed as

$$K_j=(R_j,T,C_j)=\begin{bmatrix} R_j & T_{A1} & C_j \\ & T_{A2} & C_j \\ & \vdots & \vdots \\ & T_{F4} & C_j \end{bmatrix}=\begin{bmatrix} R_j & T_{A1} & \left((j-1),j\right] \\ & T_{A2} & \left((j-1),j\right] \\ & \vdots & \vdots \\ & T_{F4} & \left((j-1),j\right] \end{bmatrix} \quad (j=1,2,\ \cdots\cdots,10) \tag{2}$$

In formula (2), K_j is the classical domain matrix of the object O with respect to the risk grade R_j. C_j is the classical threshold range of the risk grade R_j with respect to the indices.

According to the classical domain matrix, the nodal domain matrix can be constructed as

$$Q_j=(R_j,T,C)=\begin{bmatrix} R_j & T_{A1} & C \\ & T_{A2} & C \\ & \vdots & \vdots \\ & T_{F4} & C \end{bmatrix}=\begin{bmatrix} R_j & T_{A1} & [0,10] \\ & T_{A2} & [0,10] \\ & \vdots & \vdots \\ & T_{F4} & [0,10] \end{bmatrix} \quad (j=1,2,\ \cdots\cdots,10) \tag{3}$$

In formula (3), Q_j is the nodal domain matrix of the object O with respect to the grade R_j. C is the nodal domain range $[0,10]$ of the grade R_j with respect to the indices.

3.4. Establish Correlation Function and Calculate Correlation Degree

The correlation function is a mathematical formula to determine the correlation degree between the assessed feature T_i of the object being evaluated and the risk grade R_j. It can be constructed as

$$P_{ij}(V_i)=\begin{cases} \dfrac{-2f(V_i,C_j)}{|b\text{-}a|}, & V_i\in C_j \\ \dfrac{f(V_i,C_j)}{f(V_i,C)-f(V_i,C_j)}, & V_i\notin C_j \end{cases} \tag{4}$$

In formula (4), $f(V_i,C_j)$ is the distance from matter-element point V_i to classical domain $C_j=(a,b]$. $f(V_i,C)$ is the distance from matter-element point to nodal domain $C=[a,b]$. The calculation method of the distance is $f(V_i,C_j)=\left|V_i-\frac{a+b}{2}\right|-\frac{b-a}{2}$.

According to formulas (1) ~ (4), the correlation degree between each index of *JD* Company's foreign investment and each risk grade can be obtained, as shown in Table 4.

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Table 4. The correlation degree between each index and each risk grade

grade / index	$R_1[0,1]$	$R_2(1,2]$	$R_3(2,3]$	$R_4(3,4]$	$R_5(4,5]$	$R_6(5,6]$	$R_7(6,7]$	$R_8(7,8]$	$R_9(8,9]$	$R_{10}(9,10]$
T_{A1}	-0.436	-0.354	-0.244	-0.089	0.866	-0.113	-0.261	-0.367	-0.446	-0.507
T_{A2}	-0.816	-0.793	-0.763	-0.722	-0.668	-0.585	-0.447	-0.171	0.259	-0.284
T_{A3}	-0.483	-0.418	-0.335	-0.224	-0.069	0.689	-0.123	-0.262	-0.363	-0.123
T_{B1}	-0.522	-0.462	-0.385	-0.283	-0.140	0.605	-0.066	-0.232	-0.349	-0.434
T_{B2}	-0.401	-0.253	0.000	0.000	-0.244	-0.395	-0.496	-0.568	-0.622	-0.664
T_{C1}	-0.570	-0.516	-0.447	-0.355	-0.225	-0.032	0.254	-0.184	-0.326	-0.426
T_{C2}	-0.427	-0.330	-0.193	0.110	-0.014	-0.211	-0.343	-0.436	-0.507	-0.562
T_{C3}	-0.409	-0.278	-0.072	0.504	-0.187	-0.350	-0.458	-0.535	-0.594	-0.639
T_{D1}	-0.442	-0.369	-0.273	-0.144	0.391	-0.039	-0.199	-0.314	-0.399	-0.466
T_{D2}	-0.748	-0.716	-0.676	-0.622	-0.546	-0.432	-0.243	1.459	-0.107	-0.359
T_{D3}	-0.632	-0.586	-0.527	-0.449	-0.338	-0.173	0.618	-0.085	-0.284	-0.411
T_{E1}	-0.726	-0.692	-0.648	-0.589	-0.507	-0.383	-0.178	0.933	-0.159	-0.373
T_{E2}	-0.458	-0.391	-0.304	-0.188	-0.025	0.250	-0.152	-0.278	-0.371	-0.443
T_{E3}	-0.420	-0.311	-0.150	0.717	-0.090	-0.272	-0.393	-0.480	-0.545	-0.595
T_{E4}	-0.585	-0.533	-0.466	-0.377	-0.253	-0.066	0.526	-0.165	-0.317	-0.423
T_{F1}	-0.666	-0.625	-0.571	-0.499	-0.400	-0.249	0.000	0.000	-0.250	-0.400
T_{F2}	-0.377	-0.174	0.931	-0.155	-0.366	-0.493	-0.578	-0.638	-0.683	-0.718
T_{F3}	-0.388	-0.211	0.541	-0.090	-0.318	-0.454	-0.545	-0.610	-0.659	-0.697
T_{F4}	-0.301	0.482	-0.121	-0.414	-0.560	-0.648	-0.707	-0.749	-0.780	-0.805

3.5. Calculate the Weighted Comprehensive Correlation Degree and Determine the Risk Level

According to the assessment principle of correlation degree in Extenics, a weighted comprehensive correlation degree function for determining correlation degree between object O and grade R_j can be constructed as

$$\Pi\left(R_j\right)=\sum_{i=A1}^{F4} W_i P_{ij}\left(V_i\right) \tag{5}$$

In formula (5), W_i is the weight of each index. $P_{ij}\left(V_i\right)$ is the correlation function in formula (4).

According to table 4 and formula (5), the weighted comprehensive correlation degrees of foreign investment risk of *JD* Company belonging to each risk grade can be obtained, as shown in table 5.

Table 5. The weighted comprehensive correlation degrees

grades	$R_1[0,1]$	$R_2(1,2]$	$R_3(2,3]$	$R_4(3,4]$	$R_5(4,5]$	$R_6(5,6]$	$R_7(6,7]$	$R_8(7,8]$	$R_9(8,9]$	$R_{10}(9,10]$
correlation degrees	-0.528	-0.449	-0.334	-0.224	-0.065	-0.109	-0.143	-0.101	-0.357	-0.454

According to the data in Table 5, a weighted comprehensive correlation assessment chart of *JD* Company's foreign investment risk grade can be drawn, as shown in Figure 3.

As can be seen from Figure 3, the comprehensive correlation degree of *JD* Company's foreign investment risk assessment is the highest in the fifth grade. This means that *JD* Company's foreign investment risk has the highest correlation with the fifth grade, and its investment risk belongs to this level. Therefore, *JD* Company's foreign investment risk is moderate, and it is still necessary to carefully consider its foreign investment strategy. If *JD* Company decides to invest overseas, it should pay special attention to the changes of high-risk factors such as geopolitics,

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competitors, financial risks, market supervision, food safety risks and economic situation when preparing for investment. In addition, corresponding risk prevention measures should be taken to deal with risks.

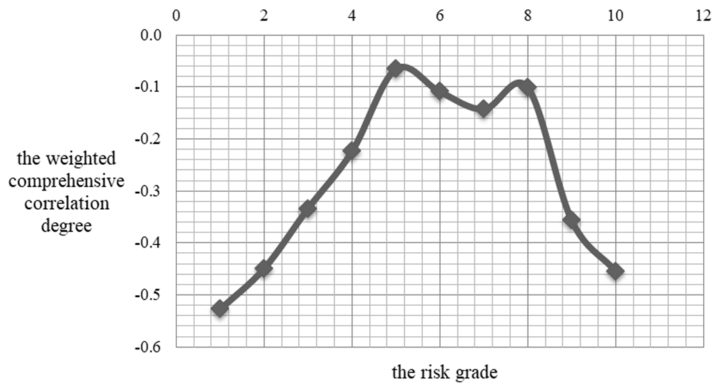

Figure 3. The weighted comprehensive correlation assessment chart

4. Suggestions on Risk Prevention and Control of Foreign Investment for Szechuan Sauce Enterprises

Szechuan sauce enterprises are bound to face various risks when investing abroad. In order to reasonably control the risks caused by influencing factors and reduce the influence of foreign investment risks on enterprises, the following risk prevention suggestions are put forward.

4.1. Establish Risk Control Team and Improve Risk Emergency Response Mechanism

A specialized risk control team can improve the risk concern of Szechuan sauce enterprises and achieve the purpose of professional management. When setting up a risk control team, the responsibility of specific aspects of risk control to specific positions in the team should be assigned. And the coordination of different positions should also be taken seriously. People in different positions should also pay attention to coordination and cooperation with each other when performing duties. In addition, according to the needs of risk management and control, it is necessary to establish an effective risk management control system that is in line with the development of the enterprise, and make various emergency plans in advance and formulate corresponding risk emergency instructions.

4.2. Focus on Market Competition, and do Market Analysis and Research

When investing abroad, Szechuan sauce enterprises should not only pay attention to the domestic competitors, but also consider the competitors of the host country, and be alert to the competitors of other third countries. In order to deal with competitors, Szechuan sauce enterprises should do a good job in market analysis and research. That includes investigating existing competitors and potential competitors. In addition, consumer demand analysis is also a top priority in market analysis. Only by mastering the market change rules of the host country, Szechuan sauce enterprises can reasonably allocate limited funds, improve the utilization rate and return rate of funds, and win in the severe competition.

4.3. Pay Attention to Current Political Changes and Make Full Use of Domestic and Foreign Resources

Because the particularity of foreign investment is that it is operated and managed in other countries' markets, changes in the situation of the host country will have an impact on the enterprises' foreign investment. To reduce risks, Szechuan sauce enterprises should not only

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know the basic situation of the host country in advance, but also be familiar with the relevant policies and laws of the host country. Besides, Szechuan sauce enterprises that are going to invest overseas should learn from other enterprises that have successfully entered the foreign market and establish good relations with them. In case of emergencies, they can exchange views and jointly deal with difficulties.

4.4. Respect the Differences of Customs in Other Countries and Conduct Business Activities with Local Characteristics

Different countries and regions have different cultures. Respecting customs differences is one of the keys to the survival of Szechuan sauce enterprises in other countries or regions. Therefore, foreign-funded executives of Sichuan sauce enterprises should uphold the concept of seeking common ground while reserving differences, do as the Romans do, and carry out business activities according to local concepts and behaviors, such as using packaging with the culture of the host country, researching and developing flavoring products that meet local tastes, and broadcasting advertising slogans that are suitable for the culture of the host country.

5. Conclusion

In recent years, with the development of the Belt and Road Initiative, the popularity of Szechuan sauce in the world is getting higher and higher, and the development of Szechuan sauce abroad shows a good momentum. However, due to the differences in politics, culture and economy, the development of Szechuan Sauce abroad is still facing great challenges and prone to investment failure. Making investment risk assessment and preventive measures will be the important measures for Szechuan sauce enterprises to succeed in foreign investment.

Therefore, aiming at the risk assessment and prevention of foreign investment of Szechuan sauce enterprises, this study analyzes the influencing factors of foreign investment risk of Szechuan sauce enterprises and constructs a risk assessment index system. What's more, taking *JD* Company as an example, this study establishes a risk assessment model of foreign investment by using the theory of Extenics, and discusses the risk grade of *JD* Company's foreign investment and the risk prevention measures that should be taken. The research shows that the risk grade of *JD* Company's foreign investment is moderate. Therefore, *JD* Company still needs to carefully consider the strategy of foreign investment before investing, and take corresponding risk prevention measures to further improve the feasibility of foreign investment. Although *JD* Company is taken as an example to build the assessment model, the index system and the assessment model built in this paper are universal. It is expected to provide reference for foreign investment risk assessment and prevention of Szechuan sauce enterprises.

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