Internationalization of a Company's Activities as a Means of Survival and Growth in the Global Economic Crisis

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Abstract

One of the explanations of developments favorable to companies or for their failures throughout the world lies in including the organization of activities outside the country of origin, the management practiced by headquarters, the parent company and its subsidiaries in the countries they were created and their conducting business. The relations between centralization and decentralization, between central unit and subsidiaries in different countries or cultures make a decisive influence on resources use, with strong impact over efficiency and competitiveness. This paper presents some considerations concerning the need of adoption, especially in a crisis, a model of the internationalization of a company's activities, corresponding to the basic activity and to the economic, social and cultural environment where intends to expand its activities.

Keywords: *multinational companies, international companies, transnational companies, knowledge transfer*

JEL classification F23, O31

1. A complex environment

Following a tough competition in a market increasingly saturated, with higher costs and falling profits, the enterprises of all countries seek to increase production by internationalization of activities, developing subdivisions organization outside of the origin country. The trend towards the internationalization of their business activities and reallocation of their resources abroad is the priority in a crisis, when jeopardizes profitability in the short term or even long-term sustainability.

Investment abroad is justified by exploiting the differences in cost of production factors, especially labor, but not only. Experts argue that vertical integration abroad can be a source of competitive advantage. In fact, theorists in the field of international management have developed a series of models of international resources and knowledge to explain the viability of those companies who have extensive work outside the country of origin. The internationalization of business may be carried out by different organizational models (Kao, 2009), including models from multinational organization, global, international and transnational, each with advantages and disadvantages.

Lately even the Romanian entreprises seek more opportunities abroad, adapting to local preferences when the standardization of products is not enough to penetrate these new markets. In these circumstances, it is important to opt for a model of organization of the company that exceeds the borders of a country (Burdus, 2006), to better match the specific scope of work, specific cultural context in which it wishes to expand the company and its stage of development company in the world.

In some areas, a technical or technological innovation has enabled major companies to manufacture and market their products globally, with the uniformity requirements and consumer needs. In other areas, even if you have not shown such trends for unique requirements, managers have sought to increase production and sales of default, to gain a competitive advantage through cost.

Due to the specific object of activity, some companies have designed a strategic position and organizational structure that can cushion a high capacity to react to differences that arise between national particularities in the world. These companies have chosen to create a portfolio of national entities, which together are known as *multinational companies* (Bartlett, Ghoshal, 1991). These companies have expanded abroad from conception to establishing "*mini companies*" in each country when believe that to obtain an advantage in the technology available to the company, management experience or the products are sold very well in the domestic market.

Although a significant period such a model for internationalization of business has led to important positions on certain national markets, with the offensive of other companies in other countries, such a pattern began to feel the need for better integration to stay competitive markets. Routine in understanding foreign subsidiaries that have units similar to those of the home made this adjustment to delay, and management of such companies feel the need to take more vigorous measures to maintain competitiveness. The leadership has to be able to master important changes brought by this vision (Năstase, 2009). Sometimes such measures especially by the imposition of new products have come a little late, because other companies have achieved a considerable advantage.

Characterized by a great strategic freedom and considerable organizational autonomy, national subunits of the multinational is based on close links with the political infrastructure of each host country, they are everywhere regarded as local. The great advantage of this is a great capacity to adapt to local markets highly differentiated, especially for manufacturers of consumer products. But the efficiency at the company, multinational are at a disadvantage compared to other companies that have focused on developing a coordinated global strategy, which emphasize the effects of *financial interdependencies*.

Regardless of consumer preferences, companies engaged in production in several countries are in a competitive advantage through the use of funds generated in one country to subsidize the competitive position in another country. And companies that consider their subsidiaries as independent profit centers is in an unfavorable position compared to competitors who consider the profit of the company worldwide.

These companies who focus on the internationalization of business by global efficiency (the case of the given period for many Japanese companies), centralized in terms of operational and strategic decisions, which treats the world as a whole is considered integrated *world companies*. For these companies, the unit of analysis is represented by consumer demand throughout the world, no country or local market, because their strategy is to exploit the world market and integrated unit. Internationalization activity under these conditions is based more on an export strategy and maintaining a centralized organizational structure to ensure that the development of new products. To this end, foreign subsidiaries are established principally to promote the sale of its own, with very low loads in other areas, such as the service after the sale eventually.

Another possibility for the internationalization of a national company's activitiy is the orientation towards exploitation of knowledge provided by parent company in other markets outside the country of origin. This option is required when the home has significant research resources, which for economic reasons can not be developed in other countries but can be a source of knowledge transfer in other markets which are capitalized. The export of knowledge, over time, lead to construction of factories, which under the impulse of requirements of the host country, will produce products tailored to that market. This will opt for *international companies*, where success is assured of the ability to transfer knowledge to foreign subsidiaries and to manage the life cycle of a product effectively.

This option was adopted by those companies, aware that the small size of the internal market, they know that will not be able to sustain efforts for research and development necessary for survival in this area. Therefore adopted a strategy of internationalization, based on ability to transfer and adaptation of new technologies and products for different markets.

From the above, it follows that, to successfully launch the process of internationalization of the business covered by the basic need is the capacity in which the company must excel or flexibility or cost effectiveness or knowledge transfer.

Meanwhile, the performance of a company depends very much on the consistency between the strategic requirements of a dominant sector of activity and ability to strategically dominant company wishing internationalization of own activities (Bartlett, Ghoshal, 1991). Thus, in an area of activity (industry) where the strategic need is the *flexibility*, multinational companies will perform, due to the strategic capacity to be flexible by adapting to local market conditions in host countries. In another area, where the need for survival is the *cost effectiveness*, global companies will have a competitive advantage due to the production of large quantities at lower costs and, at a competitive price. Or, in another area where the need is the strategic *knowledge transfer* activities to support research and development, international companies are those that will achieve the greatest benefits, because opportunities to invest significant resources in these activities.

But, in the world has not always been exploited this correlation between the *dominant strategic need of the field* and *dominant strategic capability of the company*. Therefore, in an area in which manifest a certain need (flexibility, efficiency and knowledge transfer), companies that have a dominant capacity, have adopted a model of internationalization disagree with the need strategic domain. Knowledge becomes a resource that the leaders have to pay high attention as an essential element for getting a competitive position (Năstase, 2007). Obviously, these companies have not benefited fully from their internationalization activities, being at a disadvantage to those who have taken account of this correlation.

Each of the three models of internationalization designing their competitive advantage by a response to demands from the world. Thus, in a multinational company that flexibility is considered the main way to improve performance, the world company assumes that the effectiveness of cost, so the production world is the source of competitive advantage and the international company is based on innovation create to the center, which causes reduced costs or increased turnover.

With the increasing complexity of the company's activities and their external environment, it was found that one feature of the environment is not sufficient to exploit fully the way of internationalization of a company's own activities. Today no company will succeed with a single dominant strategic capability, without focus and the others.

In such circumstances, companies tend ever more towards a *transnational* model of internationalization. Moreover, what influence the capital structure, allocation of responsibilities, the management style is the impact of leadership on company rules and priorities, including the home country culture on managerial practices (Burduş, 2006). This means that in the process of internationalization of activities, a national company to manage simultaneously both the effectiveness and adaptability, knowledge, and cultural particularities of the host country.

Given the ability to respond to local needs, transnational company management, believe that flexibility, along with cost effectiveness and competitiveness from the learning process within the organization and transfer knowledge to each member of the organization, representing the best response to the complexity of international environment and rapid pace of change it. Devotees model transnational internationalization recognize that each of the other models have some truth, but none holds the whole truth.

To obtain a competitive advantage it is necessary to simultaneously manage costs, turnover, to recognize the effectiveness of innovation, so the knowledge, to exploit this knowledge in different ways depending on the particular cultural, economic and social context in which the organizational subdivision of the company function.

So, instead to centralize or to decentralize certain assets or decisions at the transnational companiy, are taken the select decisions. Some resources and capabilities focus to the company's parent, for example, basic research, some production units may be established in countries with a low-cost labor and the use of more sophisticated technologies may be involved in the countries where one notes higher level of training of the workforce. This process will lead to a complex structure of assets and capabilities distributed in several countries, each of these components are highly specialized.

2. Different approaches of the international markets

In a transnational company, the design made in a country can be put in place for each component of the finished product subject to the company's base in other countries, so that the finished product delivery to the buyer depends on each component subsidiary, specialized in a phase of the technological process. These interdependencies are the configuration of specialization and division of assets between subsidiaries.

This complex configuration of assets and organizational capacities of the transnational company tends towards an optimization of the need to produce in large quantities with the need to adapt to the changes in the environment and the need for knowledge transfer between subsidiaries components. Such optimization can be achieved not only by the degree of centralization or decentralization of the rise to other models of international business companies (multinational, global, international). If those three models are able to speak of centralized federations or coordinated federations, allocation of assets and responsibilities within the transnational company resembles a more integrated network, which notes a steady flow of components, products, resources, people and information between branches.

If global, multinational and international companies there is a common hypothesis on the role of the local branch, which is limited to the activities of their national environment in which it operates, while headquarters plays a role in global decisions are taken on all business operations of different countries. Such a role can no longer be appropriate branches of a transnational company; the need for flexibility is more complex in that it is customer demand for differentiated products, while of high quality at a reduced price. This would require a differentiation of roles and responsibilities of different parts subsidiary, which leaves the headquarters leadership, returning it as appropriate subsidiary located in the best position in relation to the dominant feature of the market. For example, a subsidiary in an environment of great strategic importance may not have the resources to play a global role, while another subsidiary located in a less important for the transnational company, have inputs galore. In these circumstances it is necessary to adapt the role of each branch according to the needs of transnational.

Nowadays, the main motivations for investment abroad, including the need to provide cheap raw materials, purchase of cheap labor, find new markets, new motivation is in seeking information and knowledge. For example, an initially attracted abroad to secure raw materials needed can be see in the face of new technologies or to new market requirements. With subsidiaries in more geographic areas, in several countries, the company has greater access to information, which may become important sources of development.

Another motivation for transnational is the use of various assets available in different geographic areas, with the adoption by the various branches of national strategic roles to benefit from the competition. The advantages consist in reducing costs as a result of the manufacture of larger quantities of products, the use of information in areas related to market competition etc. funding and cross branches in different geographical areas.

Because the subsidiaries in different countries must respond to wider range of preferences of clients, the behavior of competitors, the exigencies of government etc., it is given a boost research activities, innovation, which increases the capacity to adapt to the requirements of the environment, making it more competitive.

Another particularity of transnational company is that the assets of a subsidiary in one country can benefit all the other branches, so the entire company. Thus, if in a given country, which is implanted into a subsidiary of a transnational required a product that is the subject of another manufacturing subsidiary in another country; this product can be easily transferred to satisfy the request. This transfer is facilitated by close links between different branches of transnational company. Such facilities are available not only for finished products but also services or operations that are specialized subsidiary company. Such close collaboration explains, to some extent, transnational force.

The autonomy of each subsidiary, in a transnational design, not put on a footing of them deliberately, but the design of roles and responsibilities for each part, which reflects the strategic importance of the local environment, but depending on the level of resources and capabilities available. Thus, in the process of achieving the objectives of global transnational company, subsidiaries in different countries perform four important roles of: *strategic leader, collaborator, performer or black hole*.

Strategic leadership is achieved by a subsidiary which operates in a local high strategic importance but which has the resources and capabilities at a high level. This confers advantages subsidiary strategic importance for large transnational company, being an important partner for the parent company headquarters, in implementing the global strategy. This may refer to more quickly and need the correct change, but it also can help identify opportunities and dangers and, implicitly, in determining strategic options which foster the achievement of the transnational company objectives.

The role of *collaborator* is achieved by a subsidiary with a high level of resources and capacity, but operating in an environment of little strategic importance. This role lies in exploiting the potential of the subsidiary which has to meet certain needs worldwide. In other circumstances, such an undertaking would not be a component of a transnational; it would not be able to capitalize on the potential available. For example, where human potential can not be used it will tend to leave for the competition.

The role of *performer* is achieved by a branch from a local little strategic importance, but has limited resources and capabilities. Its importance lies only in meeting the needs of the environment in which it operates, being used for certain specific activities by the parent company targets for employment of certain markets, as in several regions of the world, with favorable effects on the efficiency and competitiveness .

The role of *black hole* to a subsidiary which operates in an environment with a high strategic importance, but which has limited resources and capacities, as in most cases it is necessary that the parent company to invest more, investment which not prove immediately as very profitable. But while such a subsidiary may fulfill the role of strategic leadership.

In the division of the roles for the different branches of the transnational company, the management should be based on relevant information from the environments in which these subsidiaries operate. Organizations in countries of origin should not be treated differently from those who work outside the country.

This differentiation of the roles requires an management different from that prevailing in the global companies, multinational or international, including the creation and exploitation of knowledge. Thus, if the global, international and multinational companies depend on a central process of creating and exploiting knowledge, managers of transnational companies based on the recognition that environmental requirements and opportunities vary greatly from one country to another and that the answer to these requirements is best given by the branch in that country. Therefore, the design of products at the central level management transnational company attaches great importance to innovation of the subsidiaries. Transnational company will share resources and capacities at the center of the national subsidiaries to develop worldwide, so that some laboratories innovative regional or national can become a *global center of excellence* for the development of new products or new technologies. Differentiation of roles in a transnational company determines that certain parts of the company to develop resources and capabilities, which will play a unique role in the wider process of innovation.

These advantages of transnational company attract some problems that face the management of this company. Thus, the differential distribution and structure of assets, the diversity of roles and responsibilities of subsidiary components and many processes of innovation can lead to increased complexity of the internal activity of each subsidiary, which requires a greater effort to coordinate these activities, or that will suffer in the competitiveness. In such cases, a subsidiary may be too interdependent to be flexible and too complex to develop and exploit the creativity or the ability of learning.

Developing and managing a transnational company depends on certain strategic capabilities, including ability to be *competitive* as a global company, *flexible* as a multinational company and *with a capacity to use knowledge and learning* as a international company. For this, the management of transnational company must be able to achieve a balance between the diversity of opportunities offered by international environment and internal organizational capacity and to ensure that no group management comes to dominate the others. Then, because of the differentiation of roles and responsibilities of branches in each country, management should develop flexible processes coordinating interrelated subsidiaries.

Often, the failure of companies in the internationalization of their activities is not related primarily to poor strategic analysis, but rather deficiencies in organizational choice model based on strategic needs of the field and dominant strategic capability of the company concerned. In choosing the most appropriate model for internationalization lies a decisive role in company management, which on a good knowledge of strengths of their companies and an analysis of the strategic need area in which the company takes the best decision.

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