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Strategic and Marketing Aspects of Multinational Companies' Activities in International Business

The paper provides a review of theoretical aspects of strategic and marketing aspects of multinational companies' activities in international business. For this purpose, essence and characteristics of main aspects of multinational companies' activities in international business were analyzed. Features and peculiarities of Globalization and internationalization for multinational companies' activities in international business including strategic and marketing aspects were suggested. Analysis of strategic and marketing aspects of multinational companies' activities in international business was provided.

Keywords: marketing, strategy, multinational company, international business, globalization, internationalization, business promotion.

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Introduction

International business historically and logically arises as a result of the development and deepening of the international division of labor and the formation of the world market.

International business can be defined as the business interaction of firms of different forms of ownership or their divisions located in different countries, the main purpose of which is to make a profit from the benefits and advantages of international business operations.

International business is a business related to use capital in various forms and benefits of increased business activity; carried out for profit and extends to the international economic sphere. International business includes any business that carried out by two or more countries.

The economic essence of international business should be defined in its plane as a phenomenon and process of international economic relations. As a phenomenon of international economic relations, international business is a form of interaction between the subjects of international economic activity, aimed at benefiting from cross-border cooperation. As a process, international business is a manifestation of a specific type of interaction of entities, which is characterized by a certain structure, technique, conditions and rules of conduct, as well as the consequences and results achieved in the process of this type of interaction and only through this type. The subjects of international business are real participants in it as a process of interaction (individuals, contact groups or complex social structures), which are characterized by internal motives, interests, goals and ability to implement them in a particular area of international economic activity.

Main features of an international business entity include its internal motives, determination, will and ability to act to achieve its own strategic and marketing goals. Companies that develop software, hardware, or semiconductor equipment, as well as companies that provide internet or related services, make up the information technology (IT) sector. Software and services, technology hardware and equipment, and semiconductors and semiconductor equipment are the three key industry areas in the IT sector. Over the last 15 years, the sector has risen over 40 times, from $110 million in 2003 to around $4.5 billion in 2018. Cloud computing, IoT and robots, big data and AI, 3D printing, and blockchain are examples of new trends that are evolving and regarded to be dynamic, fast–growing industry categories.

The **purpose** of this article is to determine the features of multinational companies and assess the scale of their business operations in global and regional markets.

Literature Review

A considerable amount of literature has been published on theory of founding, organization and management of multinational companies' activities in international business, their competitiveness etc. Studies on main aspects of multinational companies' activities in international business (including strategy and marketing) were suggested by such Ukrainian and foreign authors as Abdallah W., Alnamri M., Andersson U., Forsgren M., Cooper D., Ezzamel M., Bolgarova N., Panevnyk T., Antonenko K., Komshuk O., Rokocha. V., Plotnikov O., Novytskyi V. and others. However, despite the presence of a significant scientific and practical base, scientists still continue exploring this field.

Results

International business is a set of business operations related to the crossing of national borders and the movement of goods, services, capital, workers; technology, information and data transfer, as well as executives' guidance.

International business is based on the ability to benefit from the benefits of interstate business transactions, i.e., the fact that the sale of goods in another country or the establishment of a firm of one country of production in another country, or the provision of services jointly by two third countries. provides more benefits to the parties involved in business than they would have if they had done business in their home countries. This is a key point not only in understanding the nature and specifics of international business itself, but also in explaining the emergence and development of international management as such.

The specific benefits of international business are related to higher profits, taking into account the following factors (Figure 1):

At the same time, there are a lot of main features of international business.

Firstly, in international business entrepreneurs seek to use additional economic opportunities arising from: a) resource features of foreign markets; b) capacity of foreign markets; c) legal features of foreign countries; d) specifics of interstate political and economic relations governed by appropriate forms of interstate interaction.

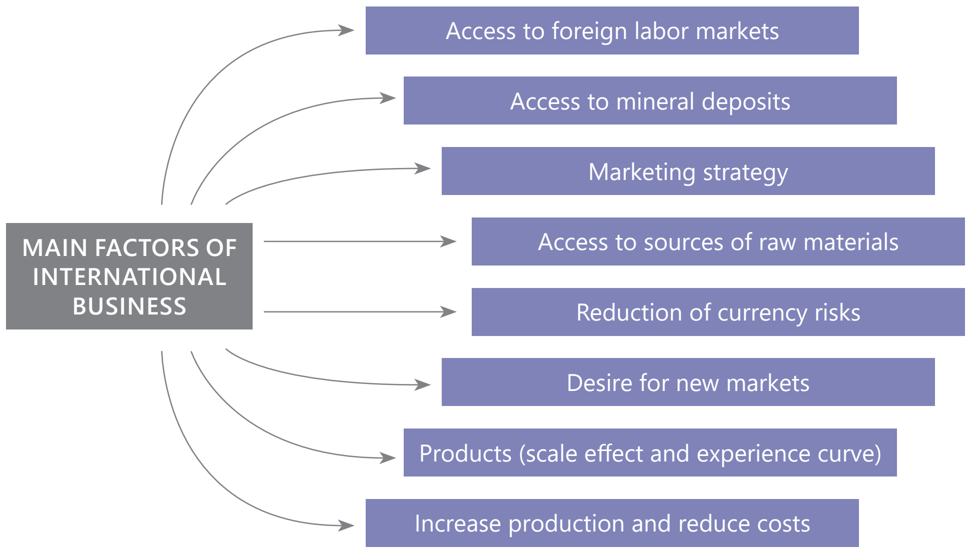

Fig. 1. Factors of international business that brings to specific benefits related to higher profits.
Source: made by author using [3, 8, 9, 14]

Secondly, international business varies significantly depending on the level of internationalization. The axis of development "exclusively national (domestic) business — multinational business" provides stages of growth of this level: from one-time deliveries to the foreign market to the developed structure of MNC for which R&D, production and distribution is an area that covers the entire globe and covers dozens of countries and hundreds of markets.

Thirdly, as a result of internationalization, any business becomes the most accessible global business service, i.e., completely independent of nationality and focused only on economic efficiency package of various services: from scientific to financial and from transport to selection of international teams, which allows today to maximize opportunities in business.

Fourthly, taking into account the cultural factor in business, i.e., the set of requirements and restrictions imposed by the culture of the country on those who conduct business in it (or with it). This problem is acute insofar as the cultures of the country of origin of the firm and the country of its location differ.

Fifthly, the global nature of international business is its most important feature: it covers the global information exchange system, global financial market, global structure of technological innovation, etc. As we move from level to level of internationalization, the importance of how this feature manifests itself in this business, i.e., how the efficiency of this business is determined by the process of globalization.

Sixthly, international business as a system of renewable and complex interacting professional knowledge of a fundamentally higher level than is available in any national (domestic) business.

Seventhly, international business absorbs the best national models, all the best in world practice, especially in strategic and marketing aspects.

Eighthly, information is the main strategic and marketing resource, and adaptation is the main strategic and marketing weapon.

Ninthly, the fundamental difference between international business is the inverse assessment of the domestic situation: negative trends in the economy (or a particular industry) can be assessed by an international firm in a different way, because these trends can open additional business opportunities.

Tenthly, unlike domestic competition, international business can feel the support of its state in the fight against competitors in many implicit forms.

For today, the main aspects of strategic and marketing of multinational companies' activities in international business depends on globalization. Globalization is an objective social process, the content of which is the growing interconnectedness and interdependence of national economies, national political, social systems, national cultures and the environment.

With globalization, international corporations are becoming part of a triangle in which, in addition to them, there are local firms and other international competitors. Each corporation has to compete in three directions (especially in strategy and marketing):

- with a local competitor of the country;
- with a foreign competitor in the country;
- with foreign competitors in foreign markets (Figure 2).

With the development of internationalization, forms of international business change from simple (international trade) to complex (international corporations with foreign direct investment).

The main forms of international business include:

- exports (imports);
- licensing;
- management contracts;
- joint ventures;
- international corporations.

It should be emphasized that exports are the simplest form international business and is the sale of goods (services) to others countries. This is historically the first and most common form of international business. In modern conditions, foreign trade operations account for more than 80 % of international business. In addition, exports are the least risky, but also the least profitable form of international business.

These features force international business participants to modernize exports. The most common forms of such modernization are local warehousing and sales, as well as local warehousing and sales.

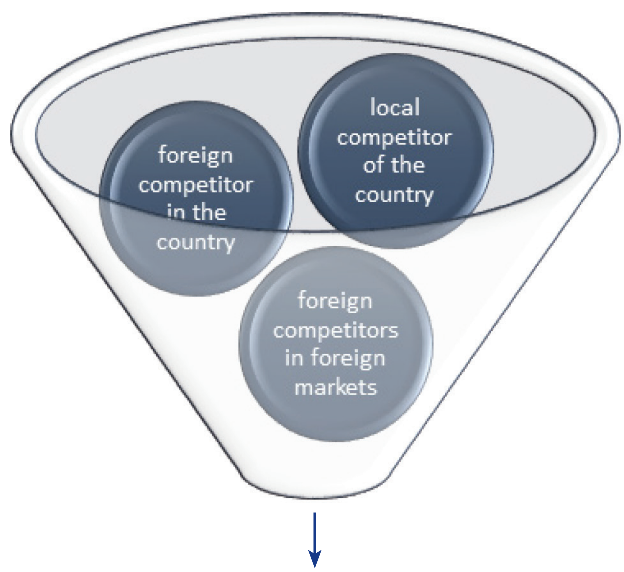

Fig. 2. Directions of competitions in conditions of globalization.
Source: made by author using [3, 9]

Local warehousing and sale mean the delivery of large consignments of goods to special warehouses in the host country for further sale of goods from this warehouse-shop.

This form of business reduces transport costs when transporting large consignments of goods per product (scale effect), and also allows for pre-sale and after-sales service of goods.

Local assembly and sale mean exporting from the home country or from third countries to the host country of components or assemblies with subsequent assembly on site at its own or leased plant of finished products with subsequent sales in both the host country and third countries.

The advantages of this form of business are the reduction of several times the number of customs duties on the import of components compared to finished products. In addition, this form helps to increase employment in the country of assembly. Sometimes the cost of assembly is lower than in the country of the parent company due to lower costs of factors of production (labor, land, electricity, water, etc.). Both forms are quite common in the automotive business.

When considering the forms of international business, it should be emphasized that licensing means the transfer of intellectual property rights to a partner from another country on the condition of obtaining certain income. Inventions, know-how, trademarks, etc. act as intellectual property here. This form is often combined with franchise agreements. The experience of using licensing agreements in the fast-food industry is well-known, including McDonald's Corporation, which owns a network of 23. 500 restaurants in 113 countries, including 40 restaurants in Ukraine. Another example is the well-known Privileged Institute of Marketing (UK), whose programs are used in more than 40 countries, including the International Institute of Business (Kyiv) in Ukraine.

Franchising is a special form of leasing agreement under which the franchisor not only sells intellectual property (mostly trademarks), but also requires strict compliance with the rules of doing business.

Management contracts are a way for a firm to send some of its management staff to another country to support a foreign firm or to perform specialized management functions for a set period of time for a fee. The amount of the fee includes the salaries of managers and the cost of risks that may arise due to errors of managers in another country. It is also worth noting that management contracts apply in the following situations:

- expropriation of foreign investment by the recipient country, when the former owner is offered to extend the management of the enterprise to train local managers;
- creation of a new commercial project in which the recipient country does not have proper management experience, but has the necessary equipment and needs highly qualified senior management;
- increasing the efficiency of the enterprise by attracting management staff of reputable foreign firms.

This form of business includes contracts for the construction of enterprises (turnkey projects). In this case, the contractor builds the enterprise (object) at its own expense, and the customer pays for it in stages. General contractors are manufacturers of relevant equipment, design, construction or consulting organizations. Customers are government organizations or large international corporations, for example, in the field of oil, gas and other minerals. The calculation is carried out in three stages:

- priority (advance) payment — 10–25 %;
- current payments in the process of work — 50–65 %;
- final payment after work on the site and putting it into operation — 10–40 %.

Joint ventures are international companies that have two or more founders — legal entities from different countries. This form of international business was widely used by the newly independent countries to enter foreign markets. Bilateral joint ventures (JVs) with equal shares of 50/50 were distributed. The foreign participant often contributed capital, technology and know-how. Local founders contributed mainly to premises, equipment and other tangible assets.

For all these forms of international business it is crucially important to use and develop the main strategic and marketing aspects of multinational companies' activities in international business for maximizing positive results of its activity.

Conclusion

To have a success in the context of globalization in international business, international corporations and multinational companies have to offer, and local firms have to accept not individual actions of companies, but a whole set of proposals — the so-called development packages, which contain all major aspects of business: from research and personnel to advertising and capital. Real promotion of business to the efficient production of goods and services requires a complex "development package", which includes: capital, technology, information, qualifications and competence of staff, advertising and consulting support, sales network, strategic and marketing plan of development etc. Of course, a company can get the components of the package in installments separately from different companies and cheaper. However, eventually achieving world-class production processes is slowing down. Internationalization of business and management — a combination of efforts of national and international companies from different countries in carrying out various business operations.

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Стратегічні та маркетингові аспекти діяльності транснаціональних компаній у міжнародному бізнесі

У статті представлено огляд теоретичних положень щодо стратегічних та маркетингових аспектів діяльності транснаціональних компаній у міжнародному бізнесі. З цією метою проаналізовано сутність та характеристику основних аспектів діяльності транснаціональних компаній у міжнародному бізнесі. Представлено сучасні особливості глобалізації та інтернаціоналізації діяльності транснаціональних компаній у міжнародному бізнесі, включаючи стратегічні та маркетингові аспекти. Проведено аналіз стратегічних та маркетингових аспектів діяльності транснаціональних компаній у міжнародному бізнесі.

Ключові слова: маркетинг, стратегія, транснаціональна компанія, міжнародний бізнес, глобалізація, інтернаціоналізація, просування бізнесу.