

GUIDING MARKS OF THE DEVELOPMENT OF TRANSNATIONAL COMPANIES

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Abstract: TNCs are not new actors of the stage of international economical picture. Even since XVIIIth and XIXth centuries, the private firms have been constituting the link between the producers and the consumers from different countries of the world. They have become a main actor in the international business world since the second half of the XXth century, this period, in assemble, will be characterized through continuous development of all types of commercial and investments activities, being distinguished three stages. The first, until 1960, was characterized by increasing foreign capital implied in direct investments and increasing the number of main affiliates of the principal multinational enterprises. The second (1970-1985), when a series of European countries were identified as important international investors, Japan and other developing countries. The third (1985 - present) will be characterized by opening new territories to productive foreign enterprises, deregulation of international markets, registration of some important progresses in the process of regional economical integration, and especially, the apparition of TNCs that will be globalized. The success of the corporations on financial plan is nowadays more determined by their competence in developing and leading an international system of activities that generate added value, which is the competence to globalize.

In the last decades, transnational companies (TNC) represent one of the most typical factors of progress, spreading wealthiness, labour, advanced technologies and contribute to increasing life standard and improving business environment.

A transnational company represents a company which will be engaged in foreign direct investments and which possesses and controls valuable creating activities, in more than a country.

Transnational companies, are appreciated as an authentic capital, without specific national identity, with an international management, at least potentially disposed to be established anywhere in the world to obtain the safest and highest advantages.

The beginning of the corporation is marked by the apparition of the corporation charter in XVIth century.

The corporative charter represented a privilege granted by the state for a group of investors to serve as a public purpose. This way, each charter pre-established specific rights and obligations of a certain corporation, including the profit part, of the Crown in exchange of granting special privilege, namely limiting legal responsibility of an investor at the amount of its investment. These corporations – from which the best known were East-India Company and Hudson Gulf Company – were used by England to maintain control on colonial economies.

In Middle Ages, state was implied directly or indirectly, in majority of economical activities that were developed beside national territory, the most important form under which were presented businesses representing the one of investments.

The first important coreporation with international activity was “Commenda”, which

was formed as a result of an agreement between more participants, through this the main investor – or a group of investors – capital entrusted to one or several agents, which realized commercial activities at sea and / or on shore. The biggest type of this type of commerce supposed the resources transfer abroad national borders. The commercial partnership of Commenda type was realized on short periods of time, at the end of which incomes were divided in conformity with the understanding, and the partnership was dissociated. From this type of commerce were observed two exceptions: “Hanseatic League” an international company owned and lead by a group of hanseatic merchants, which had central office at Lubeck (Germany), respective “Company of adventurer Merchants”, a powerful British consortium whose activity was realized in wool industry and clothing articles.

Specific characteristics of these corporations have been observed in the ability of coordination and distribution of using capital, in entrepreneur experience and of coordinate the commercialization of goods.

In the XVIth and XVIIth centuries, during the development and perfection of the external communications systems, the commercial international activity entered in a new stage, the relations between partners being based, in a greater measure, on rules and regulations. The main objectives aimed through foreign direct investments are realized by supporting commercial activities of the state, realized on foreign territories, that is economical promoting and development of the colonized territories.

The industrial revolution from XIXth century brought to the development of international commercial activities, being distinguished new motivations of the companies to realize investments outside their countries: obtaining new sources of raw material and materials, as well as protecting or extinguishing position held on foreign markets.

The development of industrial capitalism marked the importance of technology in the activity of a corporation, of money capital and human competences. These evolutions mark the passage from mercantilist capitalism to industrial capitalism.

In the first half of XIXth century, were distinguished three categories of economic agents with international activity, realized through direct investments: individual entrepreneurs, persons that only supplied money capital, without being implied in leading and great corporations in the embryonic phase. The territorial expansion of the international companies in their embryonic form was manifested in two phases: of investments in natural resources and investments aiming conquering new sale markets.

In the second half of XIXth century, technological processes as well as the ones in organizational field, as part of enterprises have determined the increase of productivity for export, realizing a first step in the direction of turning up multinational producers.

The development of the economical environment created the premise of apparition of joint stock companies, as main economical agents instead of individual of familial companies.

Technological processes registered in the field of transports, of communications, etc corroborated with the apparition and formation of leading and administration specialized persons enforced the apparition of multiregional and multinational companies, which realized a vast range of activities.

During this period possessing and control of production and marketing activities that were specific for intermediary products which ulterior were used as inputs for other activities coordinated by the investor company, as well as control upon goods and services markets represented reasons determined which lead to the development of corporations.

This way, in the year 1914, 54,6% from foreign direct investments that were realized by north-American corporations were registered in the field of petroleum and mining exploitations and in agriculture field. From a number of 3.373 enterprises in Great Britain, that operated in totality or in the biggest part abroad, which were quoted at Stock Exchange from London, 1.802 (53,4%) realized their activity in the primary sector. In a study on companies with foreign direct investments of the Continental Europe, have been identified 167 subsidiaries founded by 85 great investing enterprises, abroad. In Japan, the companies with direct investments realized abroad had as main aims in their expansion, the promotion of Japanese industrial products and obtaining the most advantageous suppliers of raw material and materials. The majority of Japanese investments were registered in China (77,5%).

The end of XIXth century brought significant modification in the nature and organization manner of world commercial exchanges, as well under the aspect of content of processed goods, product's quality, as well as increasing dimensions and tendency towards standardization of markets.

This way, it was registered an intense international activity in banking sector, dominated by Great Britain. British Banks had certain advantages in comparison with banks from other countries, consisting, mainly in the possibility of take action on the highest capital market in the world - that of London.

Also, Japanese companies controlled an important part of the navigation activity that was realized in the area of Pacific Ocean. In the year 1881, 14 Japanese societies founded subsidiaries in New York, with the purpose of promoting Japanese exports, but also obtaining modern equipments and machines that are necessary in production development at national level.

Until the beginning of the First World War, it will be estimated that at least 14,5 billion dollars were invested in companies or subsidiaries that were realized abroad, which represented about 35% from external debt on long term of that period of time, considered at world level.

Historical - economical analyses show that 3/5 from the stock of foreign capital registered in year 1914 at world level were invested in countries that are developing today. At the same time, about 55% from the foreign direct investments stock realized abroad at the level of year 1914 were registered in the primary sector, 15% in the secondary one, 20% in construction of access ways and 10% in bank field, of insurances, public utilities and distribution. Most often, such investments took the form of subsidiaries from abroad of the investing enterprises.

In the interwar period, even though the number of affiliates of international corporations continued to develop, the value volume of the foreign capital that was invested reached values from the pre-war period only at the end of years '30. European investments headed towards countries on the European continent and towards USA, meanwhile American investors preferred Latin America, Canada, biggest European countries. Customs taxes were increased, new methods of control and restriction of imports and exports were introduced.

With all these, despite a less hospitable economical and political environment, the international activity of international corporations continued to grow in the inter-war period, especially in the '20. Between definitive characteristics which determined a development of international corporations during this period, will be identified: the maturation of foreign direct investments and apparition of integrated international corporations, the apparition of foreign investors in exploiting new resources as raw

material and materials, realizing international cartels in some very attractive sectors for foreign direct investment, the more important role of Japanese companies in the Japanese - American commerce and in the development of Japan.

The post-war period, in assemble, will be characterized through continuous development of all types of commercial and investments activities, being distinguished three stages.

The first, until 1960, was characterized by increasing foreign capital implied in direct investments and increasing the number of main affiliates of the principal multinational enterprises. During this period was observed a simple increasing of foreign direct investment which was determined, mainly, by the registration of some important technological processes.

The second stage in the evolution of modern corporation, between 1970-1985, when a series of European countries were identified as important international investors, Japan and other developing countries, is marked by the following characteristics: the activities of the transnational companies has as purpose the acquirement of some strategic assets, investments from primary and tertiary sector regarded as part of the strategy of the transnational organizational strategy of these companies; appear and are developed now diverse forms of commerce between affiliates and between this and parent company; the organization of commercial activities at international level takes new forms; the cooperation relations are multiplied, strategic alliances; supply and attendance nets become component part of the activities of the corporations; many companies adopt new strategies, meanwhile the elongation of investments in a field or sector will be accompanied by the reduction of activity in another; organizational forms and decisional structures are modified frequently to correspond to exchanges produced in international economical environment, as well as technical and technological process.

The third stage of post-war development of the transnational companies (1985 - present) will be characterized by opening new territories to productive foreign enterprises, liberalization of international markets, registration of some important progresses in the process of regional economical integration, and especially, the apparition of transnational corporations that will be globalized.

The international production does not have as main purpose obtaining supplementary profits as a result of exploiting some competitive market advantages, but the exploitation of advantages supposes to result to participation at this type of production. This way, with the reorientation of diverse subsidiaries, in conformity with national needs of imports substitution, was reached the reorganization on rational basis of economical activities between different subsidiaries or between affiliates and parent companies.

Reaching a certain development level of the affiliates brought to their submitting to an integration process, and transnational companies used diverse strategies based on specialization and intra - company commerce.

Differences between specific costs to diverse regions and the characteristics of diverse markets represents another form of integration at the level of the corporation, situation in which work division will be realized between different links of the chain of activity of the company. Diminishing commercial barriers between countries and gradual improvement of the organization system as part of transnational companies favored the development of foreign direct investments. Hereby, an integration case (European Union) is represented by the transfer of the own system organization from

mother - society to each subsidiary or group of subsidiaries from a region.

Strategies applied by corporations of communitarian countries, members of European Union have been adopted so that to take advantage of the benefices offered by creating the area of free commerce, but to be able to successfully develop and scale economy and centralization of production. Choosing the place of founding subsidiaries, production rationalization at the level of transnational group and distribution of the capital of the company between affiliates depended upon production that companies had, of the production costs and of the ones of transactions, that are specific to each area and of the variable specific to each country (work productivity, level of preparation of the working force, preferences of consumers, transport and telecommunications costs, governmental regulations and other legal provisions regarding foreign direct investments, so on). The result of the action of these factors was materialized in a geographical distribution of affiliates, based equally on comparative advantages resulting from specific resources of each localization, as well as absolute advantages offered in that area.

It is necessary to highlight another change, namely the one produced in the attitude of the majority of governments towards foreign direct investments inflows and outflows, attitude that is more and more liberal.

Another important tendency of this period is represented by the apparition and statement that transnational corporations from developing countries, as well as multiplying international strategic alliances. But, the most important tendency of transnational development is transformed in a different type of institution, namely transnational in globalization process.

The success of the corporations on financial plan is nowadays more determined by their competence in developing and leading an international system of activities that generate added value, which is the competence to globalize, determined by at least three factors: capacity of the company to use with maximum efficiency the scale savings that come from its global integration, of appreciating level differences of request between different statuses of the economic activity cycles in different economic systems and correct evaluation of possible resources that are available in such conditions, of the capacity to use skills obtained on global and local plan, in what concerns enforcement of the resources basis of the company.

Transnational company will have to equilibrate balance between global and local activities, so that not to lose scale savings obtained on global plan and not lose local markets due to the inadequate character of the offer.

According to Papp, there are three development stages of a multinational corporation in a multitude of national environments.

In the first phase, a multinational corporation is considered a “multi local corporation”, due to the fact that realizes separated business strategies for each country.

In the second phase, corporation focuses efforts on the origin country in the attempt to dominate global market, becoming a “global corporation”, in the same time.

In the last phase, the corporation takes advantage of resource, management, production and other global capacities, having the statute of “transnational corporation”. By realizing foreign direct investments in host - country, the transnational corporation establishes a relation of property between it and that country.

In the specialty literature, the great majority of those who treats the problematical of the global company consider the concept “global corporation” as not being similar to the one of transnational corporation.

According to the initiators of this differentiation and distinct individualization of the global company, the transnational company sells on the markets of many countries, adapting the offer of products, the manufacturing practices and marketing strategies, depending on the necessities of each market, as a rule, to a considerable high price. On contrast, global company wants to sell the same products and services all over the world, manufacturing activities, planning and creating a product are realized on world scale and the development of the operations will be realized at a certain standard and with a relatively low cost, the adepts of this theory considering that the entire world or at least of part of this - as a unique market.

A conclusive example of company which attempted to become a real global company is Ford, the first world producer of auto vehicles. In this sense, at the level of the company was realized a reorganization program of the activity at world scale, with the purpose to rationalize processes that took place.

As other automobile producers, Ford encountered problems mainly connected to the necessity to improve the efficiency of the investments programs, in parallel with the diversification of the range of products and increasing the speed of launching new products, on the market. For this purpose have been reduced supply expenses, appealing to world suppliers of pieces and equipments. Also, Ford Europe copied to a great extent, the project, creation and fabrication of the product-mother from USA, the European division producing exclusively for the Europe market, exporting a small number of cars for the rest of the world.

This change realized by creating a unique operative unit, by binding European division with the north-American one, as well of supply groups with their components which lead to the replacement of independent old regional companies, that took care of the construction of the auto vehicles, with five coordination centers of the fabrication, four in USA and one in Europe. The European center dealt with cars of great and small run with frontal traction, produced by factories from Europe, USA and Mexico. The other four centers deal with the production of cars of great run and frontal traction, like Ford Taurus, of cars with rear traction, that is Jaguar auto vehicles (even if these will continue to be produced in Great Britain), of small capacity trucks and commercial auto vehicles.

The new business method offered to company Ford the possibility to present a large range of products and to reduce operational expenses and ensured the maintenance of competition regarding quality and value, in its fight with the most powerful competitors at world level.

The passage to the globalization process showed results once with success registered by the first global automobile fabricated by Ford, namely Mondeo type. This made the object of a program with the duration of six years, with the value of 6 billions dollars, through which was attended the creation of a classical car, to replace older Ford models.

For the production of this automobile, after a short analyze on world scale, the suppliers of components were elected for assembly factories in Europe and North America. Lesson learned as part of Mondeo program is used to forecast the direction that the company should follow. Creating the product in USA and Europe assorts completely with the five centers. These have specific duties at world scale and each is subordinated to one creation director for products. More, the supply, production, marketing and commercialization activities are gathered in one office of coordination of strategic planning.

The transnational company is the most important and powerful initiator segment of globalization. Forms through which they will realize this thing are diverse, starting with operations which defines them, the ones of internationalization of production and reaching pressure exercising on their governments, through corporative lobby, including as part of some international negotiations that are due to open wide national frontiers in front of TNC activities.

An important role in accelerating globalization process is for transnational companies, on the fund of liberalization of international economical life and globalization financial markets, these corporations have intensified the investment activity, contributing to mobility and increasing capitals. Extending the activities of transnational companies, lead, in the conditions of increasing interdependences and the degree of integration of external markets, to the modification of their strategies.

According to the globalization principles, transnational companies will supply, produce and commercialize at world level, depending on market opportunities. Transnational company will not any longer be based on a single important national location, as in the case of multinational companies, but will serve to the world market, by mediation of world operations. Unlike multinational companies, transnational companies will not any longer be controlled or constraint by politics of certain states. These will be submitted to national regulation standards, imposed and established of common agreement. National governments will no longer be able to adopt any kind of effective regulation contrary to those standards, in the disadvantage of the transnational companies which might function inside borders. TNCs might be considered main manifestation of an authentic global economics.

Some transnational corporations considered world market as being their field of action, others concentrated attention on some regional or individual markets. As part of global economics, business dimensions become an essential parameter, the size of companies conditions their implantation in other countries, generating an operational and financial synergy, which will reduce vulnerability and will increase resistance at economical shocks.

In present conditions, transnational companies, and not countries, represent the first agent of international commerce. TNCs will arrive to modify the structure of the production factors of many countries, as effect of movement of human and physical capital, as well as technology from one part of the world to another, realizing a new basis of corporal immobilizations.

Pro-global position which sustains general beneficial character of production internationalization was in the past century the one which aspired to imprint the common ethics in the material of flux of foreign direct investments and the operations of the transnational companies. The opinion is shared with the adepts of the economic neo liberalism, which see a direct proportional relation between the freedom degree in goods movement, services and production factors and increasing concurrency, of economical efficiency and economical growth.

Due to communications, transports and financial fluxes that are faster and faster, the world becomes smaller, in accelerated rhythms. Products conceived in a country - McDonald's hamburgers, German BMW, etc - are accepted with enthusiasm in other countries. Many American companies enjoy success at the chapter of international marketing and from a long time: Coca-Cola, McDonald's, Kodak, Gillette, Colgate, Ford, IBM, Motorola and tens of other American companies chose as market the entire world. And in the United States, names like Sony, Toyota, Nestle, Nokia, Mercedes,

Panasonic become usual terms, present in more households. Other products and services, which seem to be American, are in fact realized or possessed by foreign companies, like is the case of Universal Studios.

UNCTAD report, World Investment Report 2007, mentions that, at present moment, in the world, there are about 78.000 TNCs, with about 780.000 foreign affiliates. In the year 2006, foreign affiliates totalized 72 millions employees, in comparison with 25 millions in the year 1990; their sales, of about 4.900 billions dollars USA were three times higher that the exports of the world in the same period, in comparison with 1990, when sales and exports were about equal; foreign direct investments stock increased to 12.000 billions dollars from 1.700 billions dollars USA in 1990. The increasing rhythm of TNCs and FDI is faster than of other world economic indicators as world GDP and international trade.

More than that, if we can take into account the value of assets of transnational corporations from the entire world, associated with so - called non - capital relations (for example, international subcontracting, licenses, producers on contract basis), then TNCs might possess a higher part of these world aggregates. The highest world corporations dominate this image. For example, in 2006, foreign sales and employments for affiliates of the first 3 corporation (General Electric, Vodafone Group, General Motors) from the top of the first 100 non-financial TNCs, represents about 20% from total of foreign sales and employment for affiliates of the 100 TNCs.

In 2006 took place 172 merger and acquisitions (over 1 billion \$) having the value of 583,6 billions dollars, especially in the field of services (telecommunications, financial, real estate).

In the present, the global concurrency will be intensified more and more. Foreign companies will be extinguished aggressively on new international markets, and the internal markets do not offer that many favorable occasions. Few branches of activity can be protected today of the foreign concurrency. Even a series of companies might want to stop the wave of foreign imports through protectionism, on long term this thing will only increase the cost of life and will protect inefficient native companies. A better modality to make concurrence is by improving continuously own products on internal markets and will be enlarged on external markets.

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